FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

HEARINGS

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

FEBRUARY 20, 21, AND 26, 1985

Serial 99-5

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

46-655 O WASHINGTON : 1985

H 781-40.

COMMITTEE ON WAYS AND MEANS

DAN ROSTENKOWSKI, Illinois, *Chairman*

SAM M. GIBBONS, Florida
J.J. PICKLE, Texas
CHARLES B. RANGEL, New York
FORTNEY H. (PETE) STARK, California
JAMES R. JONES, Oklahoma
ANDY JACOBS, JR., Indiana
HAROLD FORD, Tennessee
ED JENKINS, Georgia
RICHARD A. GEPHARDT, Missouri
THOMAS J. DOWNEY, New York
CECIL (CEC) HEFTEL, Hawaii
WYCHE FOWLER, JR., Georgia
FRANK J. GUARINI, New Jersey
MARTY RUSSO, Illinois
DON J. PEASE, Ohio
ROBERT T. MATSUI, California
BERYL ANTHONY, JR., Arkansas
RONNIE G. FLIPPO, Alabama
BYRON L. DORGAN, North Dakota
BARBARA B. KENNELLY, Connecticut
BRIAN J. DONNELLY, Massachusetts
WILLIAM J. COYNE, Pennsylvania

JOHN J. DUNCAN, Tennessee
BILL ARCHER, Texas
GUY VANDER JAGT, Michigan
PHILIP M. CRANE, Illinois
BILL FRENZEL, Minnesota
RICHARD T. SCHULZE, Pennsylvania
BILL GRADISON, Ohio
W. HENSON MOORE, Louisiana
CARROLL A. CAMPBELL, JR., South Carolina
WILLIAM M. THOMAS, California
RAYMOND J. McGRATH, New York
HAL DAUB, Nebraska
JUDD GREGG, New Hampshire

JOSEPH K. DOWLEY, *Chief Counsel*
M. KENNETH BOWLER, *Deputy Chief of Staff*
ROBERT J. LEONARD, *Chief Tax Counsel*
A.L. SINGLETON, *Minority Chief of Staff*

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

HAROLD FORD, Tennessee, *Chairman*

FORTNEY H. (PETE) STARK, California
DON J. PEASE, Ohio
ROBERT T. MATSUI, California
BARBARA B. KENNELLY, Connecticut

CARROLL A. CAMPBELL, JR., South Carolina
BILL FRENZEL, Minnesota
BILL GRADISON, Ohio

CONTENTS

Page

Press release of Tuesday, February 12, 1985, announcing the hearing 1

WITNESSES

U.S. Department of Labor, Patrick J. O'Keefe, Deputy Assistant Secretary for Employment and Training, James Van Erden, Chief Actuary, U.S. Unemployment Insurance Service, and Carolyn Golding, Director, U.S. Unemployment Insurance Service 45

American Federation of Labor and Congress of Industrial Organizations, Robert McGlotten and James N. Ellenberger 130
Bergstrom, Rev. Charles V., Lutheran Council, U.S.A., Full Employment Action Council 152
Boucher, Hon. Frederick D. (Rick), a Representative in Congress from the State of Virginia 29
Brown, William R., Employee Benefits and Relations Committee, Council of State Chambers of Commerce 175
Buffalo (NY) Area Unemployed Council, Mark Kempner 221
Chamber of Commerce of the United States, Council on Unemployment Insurance, Donald P. Whiteley and Samuel A. Roth 160
Clinger, Hon. William F., a Representative in Congress from the State of Pennsylvania, Task Force on Unemployment Insurance, Northeast-Midwest Congressional Coalition 22
Conte, Hon. Silivo O., a Representative in Congress from the State of Massachusetts 11
Council of State Chambers of Commerce, Employee Benefits and Relations Committee, Edward H. Kay, Jr., and William R. Brown 175
Coyne, Hon. William J., a Representative in Congress from the State of Pennsylvania 6
Cummins, Joseph G., Hotline Committee of the Venango County (PA) Unemployed Council, National Unemployed Network 228
DeFrieze, Sharon, Project Assist Dislocated Worker Center, Rock Island IL, National Unemployed Network 218
Diocese of Pittsburgh, Bureau for Social Programs and Community Action, John Hannigan 236
Duranko, Mary, Wives Action Committee, Inc., for Unemployed, Johnstown, PA, National Unemployed Network 225
Ecumenical Great Lakes/Appalachian Project on the Economic Crisis, Loudon Seth 247
Ellenberger, James N., American Federation of Labor and Congress of Industrial Organizations 130
Full Employment Action Council, Rev. Charles V. Bergstrom and Leon Shull .. 152
Gaydos, Hon. Joseph M., a Representative in Congress from the State of Pennsylvania 17
Hannigan, John, Bureau for Social Programs and Community Action, Diocese of Pittsburgh 236
Hellem, Donald, Greater Elmira (NY) Unemployed Council, National Unemployed Network 220
Hudak, Gladys, Mon-Valley Unemployed Committee, National Unemployed Network 215
ICI Americas, Inc., Donald P. Whiteley 160
Idaho Department of Employment, Scott B. McDonald 260

Page

International Union, United Automobile, Aerospace & Agricultural Implement Workers of America [UAW], Dick Warden and Betty Robinson 137
Interstate Conference of Employment Security Agencies, Inc., Scott B. McDonald 260
Kempner, Mark, Buffalo (NY) Area Unemployed Council 221
Jolly, Thelma, Cleveland (OH) Council of Unemployed Workers, National Unemployed Network 226
Kaptur, Hon. Marcy, a Representative in Congress from the State of Ohio 184
Kay, Edward H., Jr., Employee Benefits and Relations Committee Council of State Chambers of Commerce 175
Levin, Hon. Sander M., a Representative in Congress from the State of Michigan 41
Lutheran Council, U.S.A., Rev. Charles V. Bergstrom 152
Lynch, Leon, United Steelworkers of America 200
McDonald, Scott B., Idaho Department of Employment, Interstate Conference of Employment Security Agencies, Inc 260
McGlotten, Robert, American Federation of Labor and Congress of Industrial Organizations 130
Messer, Jerry, Project Assist Dislocated Worker Center, Davenport, IA, National Unemployed Network 218
Michigan Employment Security Commission, Richard Simmons, Jr., and Thomas West 194
National Council of Churches, Division of Church and Society, Health and Welfare Working Group, Rev. Richard Wood 240
National Unemployed Network:
Craig Schwanke, Warren County (PA) Unemployed Committee 214
Gladys Hudak, Mon-Valley Unemployed Committee 215
Sharon DeFrieze, Project Assist Dislocated Worker Center, Rock Island, IL 218
Jerry Messer, Project Assist Dislocated Worker Center, Davenport, IA 219
Donald Hellem, Greater Elmira (NY) Unemployed Council 220
Mary Duranko, Wives Action Committee, Inc., for Unemployed, Johnstown, PA 225
Thelma Jolly, Cleveland (OH) Council of Unemployed Workers, National Unemployed Network 226
Joseph G. Cummins, Hotline Committee of the Venango County (PA) Unemployed Council 228
Northeast-Midwest Congressional Coalition, Task Force on Unemployment Insurance, Hon. William F. Clinger, Jr., a Representative in Congress from the State of Pennsylvania 22
Oberstar, Hon. James L., a Representative in Congress from the State of Minnesota 35
Robinson, Betty, International Union, United Automobile, Aerospace & Agricultural Implement Workers of America [UAW] 137
Roth, Samuel A., Council on Unemployment Insurance, Chamber of Commerce of the United States 160
Seth, Loudon, Ecumenical Great Lakes/Appalachian Project on the Economic Crisis 247
Sheehan, Jack, United Steelworkers of America 200
Shull, Leon, Full Employment Action Council 152
Schwanke, Craig, Warren County (PA) Unemployed Committee, National Unemployed Network 214
Simmons, Richard, Jr., Michigan Employment Security Commission 194
United Steelworkers of America, Leon Lynch and Jack Sheehan 200
Warden, Dick, International Union, United Automobile, Aerospace & Agricultural Implement Workers of America [UAW] 137
West, Thomas, Michigan Employment Security Commission 194
Whiteley, Donald P., ICI Americas, Inc., Council on Unemployment Insurance, Chamber of Commerce of the United States 160
Wood, Rev. Richard, National Council of Churches, Division of Church and Society, Health and Welfare Working Group 240

SUBMISSIONS FOR THE RECORD

Employers' Task Force on UC/WC, Montgomery, Ala., Allen E. Owen, et al., letter 272
Evans, Hon. Lane, a Representative in Congress from the State of Illinois, statement 274

Page

Greater Birmingham Unemployed Committee, Southern Brown, statement 275
Illinois State Chamber of Commerce, statement 275
Michel, Hon. Robert H., a Representative in Congress from the State of Illinois, statement 278
Mitchell, Hon. Parren J., a Representative in Congress from the State of Maryland, statement 279
National Governors' Association, statement 280
Traficant, Hon. James A., Jr., a Representative in Congress from the State of Ohio, statement 285

FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

WEDNESDAY, FEBRUARY 20, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:05 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

[For immediate release Tuesday, February 12, 1985, PR = 1]

HON. HAROLD FORD (D., TENN.), CHAIRMAN, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES PUBLIC HEARINGS ON THE EXPIRATION OF THE FEDERAL SUPPLEMENTAL COMPENSATION [FSC] PROGRAM, PROPOSALS TO REFORM THE PERMANENT EXTENDED BENEFIT AND FSC PROGRAMS, AND ALTERNATIVE FORMS OF ASSISTANCE FOR LONG-TERM UNEMPLOYED WORKERS TO BE HELD ON FEBRUARY, 20, 21 AND 26, 1985

Hon. Harold Ford (D., Tenn.), Chairman, Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, announced today that public hearings on the expiration of the Federal Supplemental Compensation (FSC) program, proposals to reform the permanent extended benefit and FSC programs, and alternative forms of assistance for long-term unemployed workers will be held on February 20, 21, and 26, 1985.

Witnesses are requested to present testimony on: (1) the need to extend the FSC program, which is due to expire on March 31, 1985; (2) proposals to reform the permanent extended benefit and FSC programs, including H.R. 1072 (Mr. Pease, Mr. Clinger, Mr. Stark, Ms, Kaptur, and Mr. Boehlert) and H.R. 646 (Mr. Conte); and (3) proposals for alternative forms of assistance for long-term unemployed workers such as retraining, relocation, and education assistance, including H.R. 758 and H.R. 759 (Mr. Stark).

The schedule for the hearings is as follows:

Wednesday, February 20, 1985, beginning at 10:00 [1] a.m., in room B-318 Rayburn House Office Building (Members of Congress and Administration witnesses);

Thursday, February 21, 1985, beginning at 10:00 a.m., in room B-318 Rayburn House Office Building (public witnesses); and

Tuesday, February 26, 1985, beginning at 10:00 a.m., in room B-318 Rayburn House Office Building (public witnesses).

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD

Individuals and organizations interested in presenting oral testimony before the Subcommittee must submit their requests to be heard by telephone to Harriett Lawler [(202) 225-3627] no later than noon, Tuesday, February 19, 1985. The request should be followed by a formal written request to Joseph K. Dowley, Chief Counsel,

[1] Subsequently changed to 9 a.m.

Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. Notification to those scheduled to appear will be made by telephone as soon as possible after the filing deadline.

It is urged that persons and organizations having a common position make every effort to designate one spokesman to represent them in order for the Subcommittee to hear as many points of view as possible. Time for oral presentations will be strictly limited with the understanding that a more detailed statement may be included in the printed record of the hearing. This process will afford more time for members to question witnesses. In addition, witnesses may be grouped as panelists with strict time limitations for each panelist.

In order to assure the most productive use of the limited amount of time available to question hearing witnesses, witnesses scheduled to appear before the Subcommittee are required to submit 100 copies of their prepared statement to the full Committee office, room 1102 Longworth House Office Building, at least 24 hours in advance of their scheduled appearance. Failure to comply with this requirement may result in the witness being denied the opportunity to testify in person.

Requests to be heard must contain the following information:

1. The name, full address, and capacity in which the witness will appear, as well as a telephone number where he or his designated representative may be reached;

2. A list of any clients or persons, or any organization for whom the witness appears; and

3. A topical outline or summary of comments and recommendations.

The above information should also be incorporated in the prepared statements to be presented in person as well as those filed for the printed record of the hearing.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

Persons submitting a written statement in lieu of a personal appearance should submit at least six (6) copies of their statement by the close of business, Friday, March 8, 1985, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and the interested public, they may provide 75 additional copies for this purpose to the full Committee office before the hearing begins.

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

The subcommittee today will hear testimony from Members and the administration on the Federal Supplemental Compensation Program which is due to expire on March 31st of 1985.

Today we are very delighted to have colleagues who will be testifying. Before recognizing some of our colleagues for their testimony today as witnesses before the committee, the chairman would like to open with a brief statement and also yield to the ranking minority member of the committee.

The Federal Supplemental Compensation Program expires at the end of March. Currently this program provides 8 to 14 additional weeks of benefits to individuals who exhaust their regular State benefits and any extended benefits to which they are entitled. In virtually every State, the FSC program is all that is left when a long-term jobless worker exhausts regular State benefits. The permanent Extended Benefits Program is triggered on in only three jurisdictions.

While the unemployment rate has declined in the past year, it remains very high. Over 8 million people remain unemployed; 1.3 million of them have been unemployed for over 26 weeks. Over 300,000 jobless workers are now receiving FSC. Each month approximately 40,000 jobless workers exhaust their regular State benefits. If FSC expires, these workers in all but three jurisdiction will have no unemployment benefits.

In addition to the question of the need for an FSC extension, we want to once again examine proposals to reform the current extended benefit and FSC programs. The permanent program designed to provide additional weeks of benefits in recessionary periods is just not working. Now is the time to take a look at correcting the problems in the permanent program. The cost can be relatively small and we can have in place a sound program if there is another downturn in the economy.

We also want to hear about alternative ways to assist the long-term unemployed. While wage replacement is the most important need for the unemployed, as the spell of unemployment increases we must examine other means of getting the jobless worker back into the work force.

I look forward to the hearings today and the remainder of this week as well as next week. The Members and the witnesses who will be testifying before the committee will certainly bring information that we will need as this subcommittee, as well as the full committee, prepares a bill to be taken up in the markup session to be reported to the full committee and hopefully be brought to the House floor.

As chairman of the subcommittee, I certainly look forward to working with my colleagues on the subcommittee as we wrestle with this question of Federal supplemental compensation and the expiration on March 31.

At this time, the Chair will yield to the ranking minority member of the subcommittee, Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman. And I, too want to welcome our witnesses this morning.

I am pleased to join you in these hearings to consider the need whether to extend current compensation programs or whether we shall go into a more extensive reform. I think it is well to remember that we have not been dealing with FSC for a long period of time. This program started in September 1982 as part of TEFRA. At that time the unemployment rate was well in excess of 10 percent. The total civilian unemployment rate today is down considerably: about 106.5 million people are working, many more than were working at that time.

In addition to the situation illustrated by the employment statistics, the attitude and outlook are much better. The interest rates are down. Economic projections are for a steady period of growth and not decline.

I think we have to take these things into consideration as we consider what we will do. The practicality of the current FSC program is what it has become: a second tier of unemployment benefits.

Now, I can appreciate why the States welcome this reversal. I can tell you that from their position it has to be more attractive to have at least 8 weeks of extra benefits all paid for by the Federal Government. That has to be more attractive than it is to have potentially 13 weeks of EB benefits of which they may pay half. I think we have to consider these things as we look at what we are going to do, because they are going to have a budgetary impact. We have to look at the deficit of the United States versus the deficits or the surpluses of the States as we seek to fashion a new program.

I look forward to gaining the information that our witnesses are going to give us. And, Mr. Chairman, again I commend you for starting these hearings early so we can face these issues. I ask unanimous consent that the remainder of my statement be placed in the record.

Chairman FORD. Without objection, the statement will be placed in the record.

[The prepared opening statement follows:]

STATEMENT OF HON. CARROLL A. CAMPBELL, JR.

Mr. Chairman, I am pleased to join you in these hearings to consider the need to extend the Federal Supplemental Compensation program, as well as to consider various proposals to change the overall unemployment insurance system.

It was September 1982 when we enacted the current FSC program which expires March 31. In September 1982 the unemployment rate was 10.1 percent and total civilian employment was 99.5 million. Last month the unemployment rate had dropped to 7.4 percent and civilian employment had risen to 106.4 million. Therefore, 6.9 million more persons are employed today than were employed when we enacted the FSC program.

In addition to the progress illustrated by the employment statistics, the attitude and outlook today is significantly better. In late 1982 rising unemployment rates and interest rates cast doubt on the health of the economy. The perception was that the economy was faltering and tumbling downwards. This strained economic environment led to the enactment of the FSC program. It provided additional unemployment benefits to persons dislocated by the unusually high unemployment.

The outlook today is for continued steady growth in the economy and employment. Last year's forecasts of economic growth turned out to be too low not too high. Even the skeptics who 6 months ago were predicting a new economic slowdown have been wrong.

The improved employment situation combined with the positive outlook for continued growth makes the need for extending the FSC program questionable. The FSC program served the purpose of providing additional benefits in times of abnormally high unemployment, but those times have passed.

The practical effect of the current FSC program is that it has become the second tier of unemployment benefits, replacing the Extended Benefits program. I can appreciate why the States welcome this reversal. From their position it is more attractive to have at least 8 weeks of extra benefits all paid for by the Federal Government, than it is to have potentially 13 weeks of E.B. benefits of which they must pay half. Many of the 33 States today receiving the minimum 8 weeks of FSC benefits would not have qualified for E.B. even under the pre-1981 rules.

Mr. Chairman, I am open minded about considering reforms and improvements. Some proposals may duplicate programs operating elsewhere in the government such as the Jobs Training Partnership Act. Other proposals may have the practical effect of undoing the 1981 unemployment reforms. Two points of evaluation in considering any proposal should be its potential overlap with other jobs programs and its potential erosion of past structural reforms. A third point should be its budgetary impact.

Mr. Chairman, I look forward to the knowledge we will gain from the hearings and I join you in welcoming the witnesses.

Chairman FORD. Mr. Pease.

Mr. PEASE. Thank you very much, Mr. Chairman.

I would like to welcome our distinguished witnesses and make a few preliminary comments which really have to begin by echoing the remarks of Mr. Campbell, commending you, Mr. Chairman, for moving so quickly to organize this series of hearings. This is an important subject, and it is a great problem in the country. And we need to address it quickly.

I want to make a few observations about unemployment as we face it in the 1980's. Of course, we are grateful for recent economic news that indicates that the recovery is proceeding apace. However, I find little to comfort the unemployed in the recent economic

indicators. In fact, the unemployment rates have been rising in recent months up to 7.4 percent at last count. Clearly the country is not growing out of its unemployment problems.

There are other reasons why unemployment should be a priority in the 99th Congress. First, public opinion polls throughout 1984 showed it to be a prime economic concern of most voters. Second, levels of unemployment, while clearly an improvement over the double digit figures of 1982 and 1983 are still at levels which were considered the threshold of depression less than 10 years ago. I am very troubled by the administration's failure to give this problem the serious treatment it deserves.

I can think of nothing that has changed over the last decade that should let us think of unemployment soaring above 7 percent as anything other than an extreme national crisis.

Third, there are many pockets of unemployment occurring all over the country. In my own State of Ohio, 50 of the 88 counties still have unemployment rates in double digits.

Fourth, the percentage of unemployed workers may have declined in the last year, but the average duration of unemployment was higher through both 1983 and 1984 than any of the years since World War II. Measured in terms of days of work, they are probably not much better off than before.

And finally, economic recovery usually recycles the unemployed by putting unemployed people back into jobs. This recovery has not done that. The number of long-term discouraged workers is alarmingly high and has actually increased in the last few months. It is true that workers displaced from their long time jobs find new work more often than not, and almost half of them have to settle for lower paying jobs.

I think we must direct our efforts first toward doing what we can to alleviate the human suffering caused by continuing unemployment. If the FSC Program is allowed to expire on March 31, over 300,000 people will lose their benefits immediately. Afterward, there would be essentially no program to help these people or any others who would become eligible for it in the coming months. It will be argued that the extended benefits component of Federal-State unemployment compensation system is supposed to provide extra benefits for high unemployment States. The fact remains that the formula used to determine a State's eligibility for EB is so harsh that only three—or really only two States and one Commonwealth—Alaska, West Virginia, and Puerto Rico, are currently triggered on the program. The problem is that the formula cannot respond to unemployment that continues to be high in a State where the general trend of joblessness is down.

It seems to me that what we will have here, if no change in the law is forthcoming, is no system for paying UI benefits beyond the first 26 weeks. We will be saying to the States that unemployment is a State matter unless the rates start to rise again generally.

I believe we should take the opportunity we have in these hearings and undertake a serious and thoughtful revision of our unemployment laws in order to prepare for whatever economic eventuality we might face in the future.

I have introduced H.R. 890 to make a simple vital extension of the FSC Program for 18 months to protect the people who are now

receiving benefits under the program and to provide for those people who would become eligible for these benefits in the future. Over 40 of our colleagues have recognized the need for this protection and have cosponsored the measure.

It is my hope that Congress will be able to take this process several steps further and to devise a comprehensive reform of the Federal-State system.

I am glad to see my colleague, Mr. Clinger of Pennsylvania, this morning. Mr. Clinger and I testified before the subcommittee last September about the need for comprehensive reform of the UI system, and I am glad that he has joined me in sponsoring H.R. 1072, which represents a solution to the problem we posed when we spoke here last year. I want to associate myself in advance with his remarks on this important piece of legislation.

In conclusion, it is quite clear to me from the response engendered by the announcement of these hearings that unemployment continues to be a very real problem for many people across the country. We cannot overlook the over 8 million people who are out of work.

I am looking forward to these hearings and to hearing the many witnesses who are scheduled to testify. And I hope the subcommittee will move promptly toward reporting unemployment reform.

Thank you, Mr. Chairman.

Chairman FORD. Thank you very much.

And at this time we will hear from our colleague here in the Congress on the FSC extension. We will recognize Mr. Coyne who is the newest member of the Ways and Means Committee.

STATEMENT OF HON. WILLIAM J. COYNE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. COYNE. Thank you very much, Mr. Chairman. And I first of all want to thank you and the subcommittee for addressing an issue of direct concern to so many unemployed Pennsylvanians, the extension of the Federal Supplemental Compensation Program.

I ask unanimous consent to be able to summarize my remarks and to place a more detailed statement in the record.

Chairman FORD. It will be made a part of the record.

Mr. COYNE. The FSC Program, originally enacted as part of the Tax Equity and Fiscal Responsibility Act of 1982, provides additional weeks of unemployment compensation to those who have exhausted their regular State benefits and any extended benefits to which they are entitled. The Federal Supplemental Compensation Amendments of 1983 extended the program through March 31, less than 6 weeks from today.

Congress now faces a choice: Should we extend the FSC Program one more time? In my view, there is not much of a debate. Without a FSC extension, workers unemployed after March 31 will not be eligible for up to 40 weeks of assistance, as they are now in Pennsylvania, but will find themselves cut off after 26 weeks. We are talking here about more than a handful of hard luck cases. In December 1984, it is worth remembering, 1.4 million Americans were listed by the Labor Department as being unemployed 27 weeks or longer. They made up 17.2 percent of the 8.1 million listed that

month as jobless. For many out of work, the FSC Program meant the difference between making a house payment and defaulting, between having enough to feed a family and going on public assistance, between dignity and dejection.

One big reason Congress now faces a choice between extending FSC or cutting people off after 26 weeks is the sorry state of the Extended Benefits Program. Thanks to the damage done by the Gramm-Latta budget resolution of 1981, damage the Congress has yet to repair, only one State, Alaska, now qualifies for 13 weeks of extended benefits. This makes the FSC Program the only extended aid available to the thousands of long-term unemployed in Pennsylvania and elsewhere.

We need to extend the FSC Program and we need to include in that extension a reach-back provision to make available and eligible those thousands of long-term unemployed who have exhausted their benefits in very recent months. In Pennsylvania alone, 25,233 unemployed have exhausted their FSC benefits since October 1, 1984. Legislation I have introduced would, like H.R. 890, extend FSC for 18 months. In addition, however, legislation would provide FSC benefits for up to 27 weeks in a period of high unemployment. Those who have exhausted FSC benefits in September 1984 would be eligible for benefits in addition to those already collected up to a total of 27 weeks.

This reach-back provision would cover those workers who are truly at the end of their economic growth.

Once we have brought about an FSC extension, preferably one with a reach-back provision, we have to achieve some reforms in the Extended Benefits Program. I have also introduced a separate piece of legislation which makes several necessary changes in this area, including the restoration of certain pre-Gramm-Latta triggers. In addition, the legislation would require the Labor Department to count as unemployed workers receiving extended benefits when it determines the all important insured employment rate. Failure to count these workers caused many States to be ineligible for the Extended Benefit Program even during periods of generally high unemployment.

The legislation would establish a 26-week Extended Benefit Program and would require the Department of Labor to study the feasibility of substate triggers for extended benefits. I hope that the subcommittee will adopt these changes proposed in both bills. As a minimum, I would urge that the appropriate action be taken to ensure the FSC life not be allowed to expire. Our failure to act will be felt many times by the thousands of people looking to the Congress for relief.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF HON. WILLIAM J. COYNE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Thank you for allowing me to testify today on an issue of direct concern to thousands of unemployed Pennsylvanians—the extension of the Federal Supplemental Compensation Program.

The FSC program, originally enacted as part of the Tax Equity and Fiscal Responsibility Act of 1982, provides additional weeks of unemployment compensation to those who have exhausted their regular state benefits and any extended benefits to

which they are entitled. The Federal Supplemental Compensation Amendments of 1983 extended the program through March 31, less than 6 weeks from now.

Congress now faces a choice: should we extend the FSC program one more time? In my view, there is not much of a debate. Without a FSC extension, workers unemployed after March 31 will not be eligible for up to 40 weeks of assistance, as they now are in Pennsylvania, but will find themselves cut off after 26 weeks. We are talking here about more than a handful of hard luck cases. In December, 1984, it is worth remembering, 1.4 million Americans were listed by the Labor Department as being unemployed 27 weeks or longer. They made up 17.2 percent of the 8.1 million listed that month as jobless. For many of them, the FSC program meant the difference between making a house payment and defaulting, between having enough to feed a family and going on public assistance, between dignity and dejection.

One big reason Congress now faces a choice between extending FSC or cutting people off after 26 weeks is the sorry state of the Extended Benefits program. In theory, a jobless worker should receive extended benefits after the regular benefits run out. Anyone who counts on the Extended Benefits program to serve as a stopgap just is not aware of what is going on in the states. Thanks to the damage done by the Gramm-Latta budget resolution of 1981, damage the Congress has yet to repair, only one state—Alaska—now qualifies for 13 weeks of extended benefits. This makes the FSC program the only extended aid available to the thousands of long-term unemployed in Pennsylvania and elsewhere.

FSC is a lifeline which we cannot allow to expire. If Congress fails to renew the program, and if the Extended Benefits program is allowed to continue as the sham it has become, jobless workers in 1985 may be faced with an unemployment compensation system which extends only 26 weeks of assistance. Only 10 years ago, an unemployed worker could receive up to 65 weeks of assistance—more than double what we may mandate after March 31.

To address this situation, we must act both for the short term and the long term. Ultimately, of course, Congress has to repair the Extended Benefits Program. I want to commend here the efforts of Don Pease, Fortney Stark and others who have offered legislation toward this end. I have introduced legislation, which I will describe later, which is designed to reform the Extended Benefits Program. But first, we must act to extend Federal Supplemental Compensation. Our failure to act will be felt many times over by thousands of people now looking to Congress for relief.

I know there are those, including the decisionmakers at the Office of Management and Budget, who feel that if we are to have an unemployment compensation system it should be limited to a minimal amount of weeks. FSC should be opposed, according to this type of reasoning, because it is unneeded federal assistance.

This argument ignores actual conditions in certain regions of the country. In industrial areas especially, long term unemployment remains all too persistent.

In October, 1984, the official unemployment rate in Wheeling, West Virginia was 15.2 percent. In Gary, Indiana, 14 percent. In Johnstown, Pa., 12.5 percent. In my city of Pittsburgh, 10.2 percent.

These figures reflect what is known as the official unemployment rate. They do not count "discouraged" workers or those who work part time not by choice but because the economy gives them no option. Using data on discouraged and underemployed people supplied by the Department of Labor, the Full Employment Action Council has come up with what it calls the "real" unemployment rate. Here's what the Council found for October, 1984 in the cities I just mentioned.

For Wheeling, West Virginia, the "real" unemployment rate was 27.4 percent. In Gary, Indiana, the factoring in of discouraged and underemployed workers netted a real unemployment rate of 25.2 percent. In Johnstown, the rate was 22.5 percent. In Pittsburgh, 18.5 percent.

The discrepancy between the official unemployment rate and the Council's "real" rate is due in part to the large number of discouraged workers. In the 4th quarter of 1984, the Labor Department classified 935,000 Americans as discouraged workers due to job market factors. These workers have become so dispirited about their prospects in the labor market that they have given up looking for work. As a result, they are not counted as unemployed in the official rate. The continuing presence of large numbers of discouraged workers belies continuing reports of a soaring economy. For some, the economy does indeed seem to move ever upward. For others, the downward slide never seems to end.

What the sheer number of long term unemployed should tell us is that we are entering a new type of economy, one in which the ground rules are far different than they were only a decade ago.

John H. Beck, of the Pennsylvania Legislative Committee of the United Steel Workers of America, described the situation we now face in a recent letter to me. He said:

The changing nature of our mature industry structure has created a "new" class of unemployed. Unlike the old cyclical unemployment, which could rise and fall with the business climate and was usually short term in duration, what we now have is the aftermath of a cyclical downturn coupled with severe changes in the old industrial sector, the combination of which has produced a group of workers now permanently dislocated.

Until we can devise initiatives which deal with the broad questions raised by such massive dislocation, we have to continue programs such as Federal Supplemental Compensation. H.R. 890, a measure introduced by Don Pease and others, would provide a simple extension of the FSC program for 18 months.

I support this approach. We should include a reachback provision to make eligible the thousands of recipients whose FSC benefits have expired in the last few months. Those who go into the FSC program after March 31 may benefit, but thousands will fall through the cracks.

At this point, I think it would be useful to take a look at the people who exhaust their Federal Supplemental Compensation benefits. In 1983, roughly two out of three were men, about half of whom had finished high school. Twenty-nine per cent of exhaustees had less than a high school diploma. While about 40 per cent of them were married with a working spouse, the median family income was $17,300. More than half of FSC exhaustees came from the manufacturing sector, compared to 39.4 per cent of those receiving regular benefits.

Any extension of FSC should include a reachback provision to cover those who have exhausted their benefits. I have introduced legislation which would, like H.R. 890, extend the FSC program for 18 months. It differs from that legislation in that it would allow FSC benefits of up to 27 weeks in a period of high unemployment. Those who have exhausted FSC benefits since September, 1984 would be eligible for benefits in addition to those already collected, up to a total of 27 weeks. This reachback provision would reach those workers who are truly at the end of their economic ropes.

Once we have brought about a FSC extension, preferably one with a reachback provision, we have to achieve some reforms in the Extended Benefits program. I have also introduced a separate piece of legislation which makes several necessary changes in this area.

To understand why these changes are needed, we need to recall for a moment the effect of the 1981 Gramm-Latta bill.

First, Gramm-Latta raised the mandatory insured unemployment rate which determines qualification for extended benefits. This admittedly complicated but seemingly technical change has had a profound personal effect on thousands of Americans.

Here is why. Unemployment specialists measure the insured unemployment rate by dividing the number of unemployed receiving regular state benefits by the number of individuals covered by unemployment compensation within the state.

Before 1981, the mandatory IUR trigger was 4 per cent. Gramm-Latta raised that requirement to 5 per cent, while raising the optional trigger from 5 per cent to 6 per cent. These changes meant some states did not "trigger on" to the program because their IUR rate never reached these increased levels.

My legislation would restore the trigger to what it was in 1981. In addition, it would eliminate the requirement that unemployment must surge to 120 percent of the average for the previous two years in order for a State to be eligible. Those states which have not been able to meet this surge requirement have been forced off the extended benefit program before longterm unemployed workers could receive their full benefits.

Second, Gramm-Latta instructed the Department of Labor not to count workers receiving extended benefits when it determines the all important insured unemployment rate. This has contributed to some very strange situations. In September 1983 the national unemployment rate was 9.5 percent. Twenty eight states had unemployment rates of 9 percent or higher. Yet at this point, only two states were eligible for Extended Benefits.

My legislation would instruct the Department of Labor to make a more accurate count of actual unemployment by requiring the inclusion of those receiving benefits in the calculation of the insured unemployment rate.

Third, Gramm-Latta eliminated the national trigger for extended benefits. Prior to the passage of this unwise legislation, a high national unemployment rate activated the extended benefits program in every state. A 4.5 percent insured unem-

ployment rate enabled all American workers to become eligible for benefits. With the elimination of the national trigger, states with pockets of unemployment, but with statewide averages below the cutoff, were eliminated from the extended benefits program. While this approach may make sense to some in Washington, it makes little sense to an unemployed worker denied benefits because he lives in the wrong part of the country. Being unemployed in Kansas, for example, can be just a debilitating as being unemployed in Pennsylvania. Benefits from the government should be structured more to need and less toward restrictive formulas.

Fourth, the Gramm-Latta bill required workers to have 20 weeks of unemployment in their base period to qualify for the extended benefits program. Some workers who might otherwise qualify for state benefits lost their eligibility.

In my legislation, the base period is determined, as it was before Gramm-Latta, by each state.

Another key provision of my legislation would allow workers receiving extended benefits to enroll in an accredited training program. Some workers in my district have chosen to participate in a retraining program. We should not penalize those who seek to better themselves. Jobless workers on extended benefits should be allowed to continue receiving those benefits while they continue to be retrained, as they can now do in the Federal Supplemental compensation program.

This legislation would also make important structural changes in the existing extended benefits program. It would, for example, establish a federally funded, 26 week extended benefits program for workers whose regular state benefits have been exhausted.

Finally this legislation would require the Department of Labor to study the feasibility of sub-state triggers on unemployment. This would address the anomaly of workers within a pocket of unemployment being denied benefits because their state fails to meet specified criteria.

I would hope that the Subcommittee would adopt the changes proposed in both these bills. At the minimum, I would urge that prompt action be taken to ensure that the Federal Supplemental Program not be allowed to expire.

Chairman FORD. Thank you very much, Mr. Coyne.

The chairman at this time will recognize members of the committee for questions. I know that Mr. Conte is here, and we want to recognize him. But it might be that Mr. Coyne may have a busy schedule.

Mr. Pease, do you have any comments or questions?

Mr. PEASE. Mr. Chairman, I just want to welcome Bill Coyne to the Ways and Means Committee. It is wonderful to have a new person on the committee who is obviously concerned about the problem of unemployed Americans.

I think your testimony is excellent, and I am pleased that you are not only testifying but you have also been active in developing legislation in this area.

Mr. COYNE. Thank you.

Chairman FORD. Mr. Campbell.

Mr. CAMPBELL. Thank you very much. I want to welcome Mr. Coyne.

You make one point that we have taken up before, and that is substate triggers. We have had a lot of interest in that but have been unable to put together a mechanism of reporting that we feel might be accurate. I look forward to working with the gentleman.

Let me ask, in your testimony you call for an extension of 18 months. But you basically call for a revision of the EB Program. It is your consideration, or is it your intent that we move to a different EB Program for the permanent solution to this problem so the States and Federal Government will participate together in it?

Mr. COYNE. I think that would be the ideal situation. I think that the fact that so many people were rendered ineligible as a result of the formula in the EB Program, that some measures have to be

taken to help those people who as a failure of that formula, to be ineligible for EB.

Chairman FORD. Thank you.

The Chair would like to also once again thank you for your effort and thank you for testifying before the committee. We will submit your full statement and make it a part of the record. The chairman and other committee members will be going over the statement as we move in the days ahead to mark up legislation, hopefully to respond to the severe problem which we will be faced with if FSC expires March 31.

Mr. COYNE. Appreciate it. Thank you.

Chairman FORD. Mr. Conte, I would like to personally apologize to you and thank you for your interest in the subcommittee session that we had on the question of unemployment compensation and the oversight on the Chair's part. And I received a letter immediately afterward. I hope my response was one that was accepted by you. By no means were we overlooking your contact with the subcommittee.

We are delighted to have you today before the subcommittee. We look forward to your testimony, and we look forward to your able support in the coming weeks, and hopefully this subcommittee will be able to introduce legislation to address this problem.

STATEMENT OF HON. SILVIO O. CONTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. CONTE. Certainly, Mr. Chairman. I certainly appreciate being here before you and the subcommittee. And I will ask that my full statement be inserted in the record.

Chairman FORD. It will be part of the record.

Mr. CONTE. Mr. Chairman, it is clear that expeditious action by the Congress is necessary on unemployment compensation. The current Federal supplemental program expires at the end of March. The extended benefits program is currently paying benefits to two States and Puerto Rico. And if FSC is allowed to expire, there will be no protection for the long-term unemployed in this country.

Fortunately, my legislation addresses both issues. In my testimony today, I hope to be able to explain the problem occurring in the EB area, and my solution in H.R. 646. I think the fact that only three regions of the country are receiving those benefits sufficiently explains the problems. One major problem with EB is that as a recession worsens, the IUR—on which entitlement to EB is based—actually falls.

Look at some examples: Michigan, with an IUR of 4.9 percent versus a total unemployment rate of 10.7 percent, Mississippi 3.7 percent versus 11, Puerto Rico 7.5 percent versus 19.3, West Virginia 7.3 versus 15.6. Clearly a major change in the law is necessary. And I believe that my legislation provides that change.

H.R. 646 would average the IUR and the total unemployment rate to determine the base average unemployment rate, or BAUR. Under the Conte bill, at least 21 States or territories would be paying EB now, possibly more, depending on the BAUR. I am enclosing for the record a chart demonstrating the differences be-

tween the present law and the Conte bill. Clearly my approach targets relief to regions that most need it, and substate entitlement further targets needed assistance.

With respect to Federal supplemental compensation, my bill would end the present confusion over extension of FSC. Since FSC was enacted in 1982, Congress has reauthorized the program four times. And every time it becomes more confusing. H.R. 646 provides a nationwide FSC Program triggered on whenever the national BAUR exceeded 6 percent. Under my bill, an FSC Program would be available to all States and would last for 13 weeks.

Finally, Mr. Chairman, my legislation makes two minor amendments to current law. First, it allows an individual to withdraw money from an individual retirement account before age 59½ if the individual has, in the preceding 12-month period, exhausted all rights to Federal and State unemployment compensation. My bill would also allow States the option of denying unemployment compensation to nonprofessional employees of educational institutions during the months in which they are out of work.

Mr. Chairman, I admit that it is strange for a Member of Congress from Massachusetts to be arguing for more relief for the unemployed. Without question, my State has had a tremendous economic success in the past 3 years. Unfortunately, that economic sunshine story has not carried to all areas of the State. With all the high tech firms around the so-called Route 128 corridor, most people forget that there is a large area of Massachusetts west of Worcester. That is my district, the First Congressional District.

And in many of my towns, there are unemployment rates of over 10 percent. The town of Athol must bus workers 75 miles each way to Fitchburg, MA, and Worcester so that they can flip hamburgers at McDonald's. And this is the group of people who need our help.

I think the need for action is clear. And whatever the committee and Congress does in this issue, I want to make clear I support whatever will continue to provide the most relief to the long term unemployed. And I think H.R. 646 provides that relief. And I urge the subcommittee to give it serious consideration.

I want to thank you again, Mr. Chairman, for your support.

[The prepared statement follows:]

STATEMENT OF HON. SILVIO O. CONTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Chairman Ford and Members of the Subcommittee, it is my pleasure to testify before you today on my bill—H.R. 646—the Unemployment Compensation Reform Act of 1985. Thank you for holding such expeditious hearings.

Mr. Chairman, it is clear that expeditious action by the Congress is necessary on unemployment compensation. The current Federal Supplemental Compensation (FSC) program expires at the end of March. The extended benefits (EB) program is currently paying benefits in only two states and Puerto Rico. If FSC is allowed to expire with no reforms in the EB area, there will be no protection for the long term unemployed in this country.

Fortunately, my legislation addresses both issues. In my testimony today, I hope to be able to explain the problems with the current EB program—and my solution in H.R. 646—and some reforms in the FSC program.

With respect to EB, Mr. Chairman, I think the fact that only three regions of the country are paying these benefits sufficiently explains the problem. EB is triggered on in a state when the Insured Unemployment Rate is 6%, or when the IUR is 5%, and 20% higher than the IUR in the 13-week period in the preceding year. The problem is that the IUR is an inaccurate measure of unemployment. As a recession

worsens—and as individuals exhaust entitlement to state unemployment benefits—they actually fall out of the IUR formula. As a recession worsens, the IUR actually falls.

Look at a few examples: Washington, D.C. has an IUR of 2.3%—but a total unemployment rate of 8.3%. In Florida, the IUR is 1.3%, but the total unemployment rate is 6.2%. Illinois—IUR of 4.2%, total unemployment rate of 8.1%. Kentucky—3.4% versus 8.9%. Michigan—4.9% versus 10.7%. Mississippi—3.7% versus 11%. Puerto Rico—7.5% versus 19.3%. West Virginia—7.3% versus 15.6%.

Clearly, a major change in the law is necessary. I believe that my legislation provides that change. H.R. 646 would average the IUR and total unemployment rate to determine a Base Average Unemployment Rate, or BAUR. A state—or county, under my bill—would be entitled to EB when the Base Average Unemployment Rate was 5.5% or 4.5% and 20% higher than the BAUR in the 13-week period in the preceding year. Under the Conte bill, at least 21 states or territories would be paying EB now—possibly more, depending on last year's BAUR. I am enclosing for the record a chart demonstrating the differences between present law and the Conte bill. Clearly, my approach targets relief to regions that most need it—and sub-state entitlement further targets needed assistance.

With respect to Federal Supplemental Compensation, my bill would end the present confusion over extension of FSC. Since FSC was enacted in 1982, Congress has re-authorized the program four times—and every time, it becomes more confusing. H.R. 646 provides a nationwide FSC program triggered on whenever the national BAUR exceeded 6%.

Under my bill, A FSC program would be available to all states and would last for 13 weeks. Benefits would be paid for 14 weeks in states with a BAUR of 7% or above, 12 weeks with a BAUR of 6-6.99%, 10 weeks in states with a BAUR of 5-5.99%, 8 weeks in states with a BAUR of 4-4.99%, and 6 weeks in all other states.

My bill would also allow individuals who had exhausted all FSC entitlement—and were still unemployed—to receive additional weeks of benefits, up to six weeks. H.R. 646 also provides a guarantee against benefit reductions. FSC entitlement would not be reduced more frequently than every three months. Individuals on FSC will continue to be eligible for at least the number of FSC weeks to which they were entitled at the time they first qualified for FSC.

Finally, Mr. Chairman, my legislation makes two minor amendments to current law. First, it allows an individual to withdraw money from an Individual Retirement Account (IRA) before age 59½ if the individual has, in the preceding 12-month period, exhausted all rights to Federal and state unemployment compensation. Under present law, an individual generally is subject to a penalty tax of 10% of any distribution from an IRA. My legislation would waive this penalty.

Second, my bill would allow states the option of denying unemployment compensation to nonprofessional employees of educational institutions during the months in which they are out of work. This provision would not require states to deny these benefits, as under current law.

Mr. Chairman, the need for action is clear. Whatever the committee and ultimately the Congress does on this issue, I want to make it clear that I support legislation which would continue to provide relief to the long-term unemployed. I think H.R. 646 provides that relief, and I urge the subcommittee to give it serious consideration in your deliberations.

Thank you once again for the opportunity to testify.

COMPARISON OF THE CONTE BILL WITH PRESENT LAW ENTITLEMENTS TO EXTENDED BENEFITS

State	In percent—			Present law	Conte bill
	IUR	TUR	BAUR		
Alabama	4.0	11.0	7.5		X
Alaska	8.8	10.5	9.65	X	X
Arizona	2.0	4.1	3.05		
Arkansas	5.0	8.6	6.8		X
California	3.9	7.1	5.5		X
Colorado	2.7	5.5	4.1		
Connecticut	2.4	4.4	3.4		
Delaware	2.5	5.9	4.2		
Washington, DC	2.3	8.3	5.3		?
Florida	1.3	6.2	3.75		
Georgia	2.2	5.6	3.9		

COMPARISON OF THE CONTE BILL WITH PRESENT LAW ENTITLEMENTS TO EXTENDED BENEFITS—Continued

State	In percent—			Present law	Conte bill
	IUR	TUR	BAUR		
Hawaii	2.8	5.7	4.25		
Idaho	5.8	6.4	6.1		X
Illinois	4.2	8.1	6.15		X
Indiana	3.6	7.6	5.6		X
Iowa	4.5	6.1	5.3		?
Kansas	3.2	5.4	4.3		
Kentucky	3.4	8.9	6.15		X
Louisiana	4.3	9.7	7.0		X
Maine	5.2	5.3	5.25		?
Maryland	3.1	5.5	4.3		
Massachusetts	3.0	3.4	3.2		
Michigan	4.9	10.7	7.8		X
Minnesota	4.1	6.0	5.05		?
Mississippi	3.7	11.0	7.35		X
Missouri	3.4	6.0	4.7		?
Montana	5.9	6.6	6.25		X
Nebraska	3.3	4.3	3.8		
Nevada	3.5	8.1	5.8		X
New Hampshire	1.4	3.4	2.4		
New Jersey	3.9	5.4	4.65		
New Mexico	3.4	7.5	5.45		?
New York	3.7	6.7	5.2		?
North Carolina	3.2	7.0	5.1		?
North Dakota	4.5	5.3	4.9		?
Ohio	4.3	8.9	6.6		X
Oklahoma	2.7	6.8	4.75		?
Oregon	5.6	8.9	7.25		X
Pennsylvania	5.6	8.1	6.85		X
Puerto Rico	7.5	19.3	13.4	X	X
Rhode Island	4.9	4.4	4.65		?
South Carolina	3.4	7.1	5.25		?
South Dakota	2.2	4.1	3.15		
Tennessee	3.7	8.2	5.95		X
Texas	1.8	5.4	3.6		
Utah	4.1	5.9	5.0		?
Vermont	4.3	3.9	4.1		
Virginia	1.8	5.1	3.45		
Washington	5.4	8.7	7.05		X
West Virginia	7.3	15.6	11.45	X	X
Wisconsin	5.2	6.7	5.95		X
Wyoming	3.5	5.6	4.55		?

Chairman FORD. Thank you, Mr. Conte.

Let us go back a minute. Are you saying that under your bill EB would be extended in 11 States and territories? The FSC under your bill would entitle the recipients of the unemployment an additional 13 weeks? What is this now, the additional weeks?

Mr. CONTE. That is the reach back.

Chairman FORD. That is the reach back provision in your bill?

Mr. CONTE. Right.

Chairman FORD. So your bill would give an additional—total of how much including the reach back saying in one of the States or territories with EB extension?

Mr. CONTE. The maximum could be 80 weeks, with FSC and reach back.

Chairman FORD. The maximum would be 20 weeks.

Do you have any cost figures?

Mr. CONTE. Yes, I think we do.

Chairman FORD. I have that before me now. Here it is.

Mr. CONTE. I think it is less expensive than present law because it targets assistance.

Chairman FORD. You think we would be able to get your help from the Appropriations Committee and the Administration, Mr. Conte?

Mr. CONTE. I do not know about the administration. But I certainly will give you help from the Appropriations Committee.

Chairman FORD. There has been some talk among members of the subcommittee, as well as some Members of the House, that we ought to consider something in the area of training, job replacement, relocation, maybe go beyond just an extension of EB, FSC, and the reach back provisions that we have been able to pass, adopted in the House before, but maybe go one step beyond that, try to reform the area of FSC, EB, as well as the reach back provisions.

Do you have any comments?

Mr. CONTE. I do. I think that those are all worthy programs, and I think I have job training programs right now. But if the jobs are not there, what good is the job training?

However, we are trying to utilize that right now in a big pocket of unemployment up in my district, in North Adams, MA. A company there has just announced they are going to drop 600 employees. We have a high unemployment rate there. And I got some money for job training. In fact, I was criticized because they said, "What is the good for job training when there are no jobs?"

However, we are using that money to attract new industry. The Governor just brought 35 business executives up from Boston by train last week so they can see what we have got up there.

What we are saying to these people, retraining them—and especially if we have new industry, you might come here, we can retrain them in that particular type of work. So it is very beneficial. But it does not work all the time.

Chairman FORD. Well, we are thinking in terms of job training tied to unemployment compensation benefits. When we are talking about the reach back, FSC, or extended benefits, and knowing that there are job training dollars being allocated by the Congress, if we would maybe at some point let the two meet and reform the program. It has been talked about.

Mr. CONTE. It has been talked about. I think it makes sense.

Chairman FORD. Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

I want to thank you for your testimony, Mr. Conte. You are right, there are job training programs in place. The Job Training Partnership Act is in place. And the success rate has been much greater than programs such as CETA and other things in the past. It is obviously a public-private operation, and the private sector generally having some control.

In my State the placement of workers out of that program, and the ability to hold on to their jobs, has been much higher than in

the past. So I would want to avoid any duplication. We can have a marriage, but we do not need two wives.

I want to thank you for coming in. I think the committee, on both sides of the aisle, has a very keen interest in dealing with the problem of long-term unemployment. I think that, especially on our side of the aisle, we have been trying to look at the impact on the Federal budget because, after all, the Federal budget, and what happens there is going to have a direct impact across this country as to what opportunities are available.

So for that reason, I commend you for your innovative approach in some areas to the problem. I assure you we will be looking very closely at what you offered.

Mr. CONTE. Thank you.

Chairman FORD. Mr. Pease.

Mr. PEASE. I thank you, Mr. Chairman.

Mr. Conte has provided some good testimony. I am not the least bit surprised by that. I am very pleased, especially that you have given us a bill showing your concern, even though it appears that under your formula your State of Massachusetts would not qualify for the extended benefits.

Mr. CONTE. The counties would. That is why I mentioned my District there.

Mr. PEASE. You mentioned substate triggers, and your bill would provide the substate triggers.

Mr. CONTE. Yes.

Mr. PEASE. I think that is an important step, too. And I presume you have given thought to how to measure the unemployment in an area smaller than an entire State.

Mr. CONTE. Yes.

Mr. PEASE. Because the Department of Labor also tells us that we cannot use substate triggers because it is impractical.

Mr. CONTE. The major problem with the substate entitlement is one of equity, and who should be eligible for EB: the county where an individual last worked, or the county where the individual lives. If one individual in a county were receiving EB and another individual in the same county were not, would that be inequitable? I am very familiar with what you are talking about, the Labor Department report. And I agree with their statement, that implementation of substate programs is feasible. But several major complaints still remain.

Congress should certainly consider substate eligibility now that the Labor Department has completed their report.

Mr. PEASE. OK. Well, you state in your testimony that while unemployment is low in your whole State, and extremely low along Route 128, it is extremely high in western Massachusetts. And that is something that occurs in State after State that we just need to constantly assist.

You are familiar, I am sure, with President Reagan's advice that people should vote with their feet. If they do not have jobs where they are living, they should pick up and move somewhere else.

In your situation it is better than mine. There is no place to move in Ohio. We have to advise our workers to move to Texas, or Arizona, or Massachusetts.

But in your situation they would have to move 100 miles, 150 miles. I gather you do not view that as a solution to the problem?

Mr. CONTE. I certainly do not. I think the job retraining, rather than having to move—I would like to bring in industry. We have had some success. We need cooperation between the city, county, State, and Federal Government.

For example, in Holyoke, MA, which is my district, it was a very successful little paper town, about 60,000 people. There are a tremendous number of unskilled, untrained laborers. It became a real problem in the community. And I was able, in that particular case, through a UGAD grant, to receive $1 million and get job training to come into Holyoke, and also get a half million at the same time from the Department of Labor for job training. And 10 percent of the people we are training are those unskilled workers. And now they are about ready to move in. And this plant will eventually hire about 2,000 people.

So we are going to get them off their duffers, get them working, get them off the welfare rolls. But it is not an easy task. And as I mentioned, in North Adams we are having a real tough time up there trying to attract some industry.

Mr. PEASE. Finally, Mr. Conte, we have before us an estimate of the cost of State FSC extensions, and of your bill, H.R. 646. It appears as if for 12 months your program will be costing less than the straight FSC extension.

Mr. CONTE. Right.

Mr. PEASE. And yet you would extend FSC for all States, and also make 20 States, or so, eligible for EB. What is it that makes the program command that cost?

Mr. CONTE. Because it targets assistance. It does not appear that the FSC Program would be triggered under my bill at this time, but there would be assistance for the long-term unemployed, targeted under the EB Program in my bill.

Mr. PEASE. So with the formula a number of States would not be eligible for FSC?

Mr. CONTE. Not at this time.

Mr. PEASE. Thank you.

Chairman FORD. Thank you, Mr. Pease.

You will have to let us in on your secret, how you got all these programs.

Mr. CONTE. It is not easy.

Chairman FORD. Our next witness is one of our colleagues, Mr. Gaydos, from Pennsylvania

We are delighted to have you, too. Thank you for coming over to be one of our witnesses today.

STATEMENT OF HON. JOSEPH M. GAYDOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. GAYDOS. Thank you very much, Mr. Chairman.

At the outset I would like to thank you for making this time available to me. I am not going to read my statement. It is basically a simple statement. There is nothing in that statement——

Chairman FORD. We will be sure that the entire statement is made a part of the record.

Mr. GAYDOS. I think I made two fundamental base points in the statement.

No. 1, the tragedy which everybody is familiar with—it is no different in Pittsburgh than it is in Chicago, Cleveland, Youngstown, what have you. And I could probably transcend all types of economic endeavors, and what have you, about the farmers, and all those ramifications.

I have come here, and the point I am trying to make—I am here probably for the fundamental reason of asking just for a succinct and immediate extension of benefits. I think that is essential.

As far as supporting legislation, the type of legislation I am probably open, along with many of the steel caucus members to any type of approach to the problem, any type that is reasonable.

And probably the last point I want to make in my limited statement is we have probably lost the former unemployed steel workers, per se, in my district, and we have a new crop coming up. And I think that any legislation you would be considering should be directed to the new crop, because we are probably lost on the old crop. They have probably fallen through the so-called safety net.

So that is basically what my statement points out to this committee. Again, I want to emphasize that I do not have to tell this committee what is going on. And I stand ready to help the committee in any legislation that they would pose, and work with them personally, and as a member of a group, whether it be with the steel caucus, or what have you.

And my closing point that I would like to emphasize is this. We have suffered in the Pittsburgh area. And I am sure this is true in the Chicago area, and other areas throughout the Nation, almost a 50 percent unemployment in the steel mills.

I think, Mr. Pease, you know that it is not an exaggeration. The steel industry generally, as we have grown to know, has fallen from about 500,000 jobs to about 250,000, and is still falling.

In my area I have suffered the loss of, I think it would be very easily substantiated, 25,000 high paying jobs. And probably the reason why I was reelected in the face of those facts is because we had the security as far as pension protection, and with this ERISA, which I was a part of. Probably that has been one of the stabilizing influences which are allowing us to work out new solutions. And whatever form it would take, I want you to know that I am going to be there right with you, almost like a member of the committee.

And that is the essence of my statement, that I do not come here pretending to know the answer. I just want to make sure that you know that you have a warm friend in me, and secondly, one that is very sensitive to what is developing into a major problem for this committee.

That is all I have to say, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF HON. JOSEPH M. GAYDOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, I want to thank you and the other members of the subcommittee for this opportunity to testify on the Federal Supplemental Compensation Program and other assistance programs for long-term unemployed workers.

For a number of years prior to the latter 1970's, the State of Pennsylvania—and the southwestern portion of the State, in particular—was blessed with an industrial base that enabled us to have low levels of unemployment.

One of the key elements of that industrial base was the steel industry, which, up until the late 1970's, was a major employer in my district.

Today, that picture has changed. Unemployment continues to hover above the 10-percent mark. The steel industry is no longer the giant it was, with increasing energy costs, growing levels of imported steel at prices which undercut domestic rates and less demand combining to pull the pinnings out from under the industry. And, worst of all, no new industry to abosorb those unemployed.

From the mid-1970's, when the steel industry nationwide employed more than 500,000 workers, to today, we have seen a dramatic shrinkage in the industry to less than 250,000. And the prospects for tomorrow show continued shrinkage.

Perhaps even more distressing is the realization that many, perhaps even most, of those jobs will never be recovered. Those men and women, many with more than half their working lives with steel industry firms, will never go back to work in the steel industry.

For many of those steelworkers, it is too late. They have already exhausted their benefits, state unemployment as well as FSC. In effect, they have fallen through the cracks in the system. Since they are no longer collecting benefits, they are no longer counted among the unemployed.

Yes, it is true that some have found other jobs. Yes, it is true that others have relocated to other parts of the country either for a specific job or in search of employment. And it is also true that others have benefited from some of the retraining programs. But, even at their best funded levels, there were always more applicants than slots.

And even many of those who were being retrained suffered when the separate and district FSC and retraining programs were combined in a single program. Many of those unemployed who were participating in the retraining programs found their benefits exhausted and no funds with which to pay for their retraining.

Today, since they are no longer collecting benefits or are a part of any program, they are no longer counted as unemployed. In effect, they have become nonpersons.

Most likely, these long-term unemployed I have just described will not be helped even if the FSC Program is extended, whether temporarily or permanently.

But, given the continuing economic conditions in southwestern Pennsylvania, in particular, and steel industry areas, in general, I believe we can expect a new crop of long-term unemployed to be needing the benefits of the FSC Program.

And who are these soon-to-be long-term unemployed? Mostly they are males who have worked in the mills for 10 or 12 years, are in their early to midthirties, and have a high school diploma. Most are married, have a couple of children, live in a home with a mortgage and own a car which, if they are lucky, is free and clear.

Some have been out of work for 10 to 16 weeks and are just beginning to realize they may never again have a job in the steel mills.

They want to work. They are concerned about providing food, clothing and shelter for their families. But if they aren't able to get additional training so they can seek jobs for which they presently have no skills, the results will be catastrophic for them, their families, and the communities in which they live.

I urge this subcommittee to consider the tragic effects on this new crop of unemployed if the FSC Program and other forms of assistance, especially separate funding for retraining programs, are not extended and expanded.

We cannot afford to let this new group of long-term unemployed slip through the cracks. We cannot afford to waste this national resource.

I recognize the pressures on you to hold the line and to cut programs, particularly in the light of huge budget deficits, still too-high interest rates, a strong dollar, and an excessive foreign trade imbalance.

But I believe we must focus our attention on those programs that have and will continue to enable Americans to return themselves to a state of productivity. The FSC Program is a vital part of that effort.

Again, Mr. Chairman, I want to thank you for this opportunity to offer my views on this most important concern.

Chairman FORD. Thank you very much.

It is the intent of the committee, subcommittee, to respond to the March 31 expiration date of the FSC. I think it would be difficult for any of us to say today what type of bill would be reported out of the subcommittee.

We are very pleased, and proud of the fact that we will have your support on legislation, in responding to the critical problems that we will be faced with after March 31.

I note that you advocate, in your opening statement, that a straight extension would be satisfactory. We will certainly take that into consideration, because of the timeframe in which we are working, but at the same time the intent of the committee is to take a closer look at the broader picture, and see whether or not it would be possible for the subcommittee to come up with a bill that would respond to some of the long-term problems.

And in case there is another turndown in the economy, that this committee would hope that we can create legislation. I am not trying to speak for either side, but I think both have expressed, in the first weeks of this Congress, that they would like to see us respond to the big picture. And if that is possible, to do that in the next weeks.

I can assure you that the subcommittee will work tirelessly to bring about a response.

Mr. GAYDOS. Mr. Chairman, if I may, I might be remiss, and I think I should at this time state, I did not want to be abrupt and say it is your problem. But I do want to make this statement, as a matter of record, that this committee has been very sensitive, I believe, extra sensitive, to the needs of the Nation, and particularly the Members of Congress, and their districts. And I am very hopeful that I can assume that the best thing that can be done will be done by the committee. This is based on past performances.

I wanted to make that statement, because I think I was somewhat abrupt in saying you come up with a solution, I do not have it.

Chairman FORD. Thank you very much.

Mr. Campbell.

Mr. CAMPBELL. I want to thank you for your testimony.

You mentioned, as Mr. Conte did earlier, particular problems in a portion of your State, and in your district in particular.

Have you given any thought to the substate triggers, as to how we might accurately define a substate breakout from the entire State, if we were to try to move on that type of legislation to target benefits to the area of need?

Mr. GAYDOS. Well, I know it has always been a problem that has plagued the committee, because there has always been a doctrine that has been sought.

I do admit to the committee that I do not have available to me the tools, nor the statistics that would make my approach one of a meaningful nature, which I would then sit down and discuss with this committee. I do not have, at present, that knowledge.

I do know this, that some type of a formula is going to have to be arrived at, insofar as we have a lot of pressure in this country for what we call a permanent solution, meaning unemployment should go on conceivably for years and years, if we do not, as a Nation, provide some kind of meaningful, reasonable employment opportunity for our citizens. That would be the extent I would be able, I think, in orderly fashion, to respond to your comment.

Mr. CAMPBELL. Well, I understand, of course, we all agree that the creation of a long-term solution is called for. We have many

more people working now than we did when we triggered in FSC. But what my concern was is for the pockets of unemployment in the country, in an otherwise healthy economy, for the States which may have lower rates, where there is a pocket of unemployment, how do we target our support and efforts there?

That was the basis of what I was asking. You are right, we do not have all the facts, either. We deeply appreciate your input.

Mr. GAYDOS. I would say this, we have had some formulas, you know, the ratio, as it pertains to the national unemployment ratio, or the figures. We have the proposal for the Appalachian region, which is now under consideration for ultimate disposal or remission of some sort. And I would say that that would be something I think we have been considering through a gamut of major devices.

We can go back 5 years on the poverty programs we had. We had these measures in the programs, and most of them worked. I do not think there were areas in any of our programs in the last 15 years where the statistics were not met, money was poured in there, as opposed to certain areas where it really should have gone. I think it was pretty far and fairly distributed.

So anything reasonable I think would be acceptable generally to the Nation and myself. I just worry about the concept of a person, that if he is unemployed, you have no employment in Pittsburgh, what you should do is go down to Houston. He then goes down to Houston, and there is nothing. He goes to California, and then Massachusetts, and everybody has a problem. And like the Okies, years back, everybody is moving around, and then you have a problem and move again.

And I think that is in the face of the fact that most people like to put down some solid roots. And when they buy a house and have a mortgage they are trying to meet, and they have a tendency not to want to pick up and move, and it is not that easy.

I do want to conclude—I do talk too much—and suggest to the committee that anything that works reasonably under these circumstances, I am sure will be acceptable to our area. And the Nation can get into the finer details if your program is going to be long-term and permanent, and hopefully a permanent solution to the problem.

Chairman FORD. Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman.

I appreciate your testimony from a gentleman who shares my great concern about the number of unemployed steel workers who will never go back to the mills. We owe them something by way of better opportunities and retraining.

I want to talk just a few minutes, Joe, about an FSC extension versus a reform bill that I have put in with Mr. Clinger and others, which would eventually merge EB and FSC.

According to figures that we have from CBO and from the Department of Labor, the reform would be substantially less expensive than the FSC extension. An FSC extension would cost over 18 months close to $3 billion, which you can imagine might not be too easy to get through. Reform would come in at under a billion dollars over a 3-year period. Clearly that would mean that some workers initially would not be getting as much as under an FSC extension. But my thought is that reform now might have the virtue of

putting in place a system that would make a lot more sense, if and when another economic downturn occurs.

And I was wondering if you had any thoughts on those two proposals?

Mr. GAYDOS. I am familiar with your proposed legislation. In fact, our counsel and staff now are working on it. I am sure I am going to be a cosponsor. And I think you have one of the better answers. And that was what I referred to when I said let us find an approach to it.

Right now I am concerned about the people that are losing their benefits. I have never seen, in this country, when many groups of people are losing their homes, and mortgages, and their neighbors are marching en masse to the banks, and telling them we are going to withdraw our money if you do not postpone the sales on foreclosures. It is not the American way to do business, but it is effective. Most of the banks are refraining from proceeding on with their mortgage foreclosures.

And in fact, somewhat to my own personal detriment, I said I do not have a solution. And they came back to me after that and they said, here is a solution we worked out, and it is working. And it was somewhat embarrassing to me. And it is what you call self-help. And I congratulated them. And I thought it was the right thing to do.

But that cannot go on indefinitely in the country, because what goes around comes around. And we will meet it. Something is going to have to break in the chain. But I want to commend my good friend on that legislation.

Chairman FORD. Thank you very much.

Did you indicate earlier that some 5,000 jobs in your congressional district?

Mr. GAYDOS. Yes.

Chairman FORD. One of the other witnesses, Mr. Conte, also talked about a reachback provision within his bill to respond to some of the problems of the 5,000 people who are out of work.

Mr. GAYDOS. It would be the most equitable, and I would be most appreciative.

Thank you very much.

Chairman FORD. Thank you very much, Mr. Gaydos.

I would now call on Mr. Clinger, cochair on the Task Force on Unemployment Insurance, Northeast-Midwest Congressional Coalition.

STATEMENT OF HON. WILLIAM F. CLINGER, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA, AND COCHAIRMAN, TASK FORCE ON UNEMPLOYMENT INSURANCE, NORTHEAST-MIDWEST CONGRESSIONAL COALITION

Mr. CLINGER. Thank you very much, Mr. Chairman.

Chairman FORD. Your statement will be made a part of the record.

Mr. CLINGER. Mr. Chairman, I want to thank you and the members of the subcommittee, and the cochair, Mr. Pease, of the Northeast-Midwest Task Force on Unemployment Insurance. We're really pleased to have the opportunity to testify before you this

morning and submit for your consideration the program the Northeast-Midwest Coalition has developed after a long study and consideration of the issue. And I certainly want to commend you for holding this series of hearings for proposal for comprehensive reform of the current unemployment insurance system.

As cochairs, Mr. Pease and I last September testified before your subcommittee, and at that time called for basic reforms in the UI system to make it more reliable for those who depended upon it, more responsive to changes in the economy, and more effective in providing relief and helping put people back to work. Two weeks ago Mr. Pease and I, along with Representative Stark, introduced legislation that would make many of the long overdue reforms in our UI system. The bill would merge the current EB program with the Federal Supplemental Compensation Program to form a single streamlined program of extended benefits for the longer termed unemployed. It is similar, I might point out, to legislation which was introduced in the last session of Congress by Senators Byrd and Heinz.

The bill we've introduced would make four major reforms in the current extended unemployment system. First, the Pease-Clinger bill would set up a single permanent program of extended unemployment compensation replacing the existing two programs of extended and supplemental benefits. We believe that one consolidated program of benefits beyond the initial 26 weeks with one set of criteria would make the UI system easier or simpler to implement and understand for both its administrators and recipients. The current system we feel with its very confusing triggers, changing eligibility standards, et cetera, has become a source of great frustration and confusion in the States. Second, rather than having as an occurring extension of the program state eligibility requirements that dictate that a State is eligible for all or none of the current 13-week benefit period, the bill would set up a system similar to the current FSC program so that States with the greatest levels of unemployment would be eligible for the greatest number of weeks of benefit. And this just seems to me practical good sense, those with the greatest needs to have the greatest opportunity, should have added access to the program.

Third, it no longer would use a State's insured unemployment rate as the sole determinant for eligibility for extended compensation. And this is, I think, a very critical part of our proposal. Instead it would allow a state to choose between its insured unemployment rate and total unemployment rate using whichever measure would result in the greatest number of weeks of benefits. This is critical because, unlike the insured unemployment rate, the total unemployment rate is the State's most comprehensive measure of unemployment because it includes all the State's unemployment, or at least as close as those could be determined.

And the insured unemployment rate, on the other hand; counts as unemployed only those who are receiving regular State benefits. Those receiving extended and Federal supplemental benefits as well as those with exhausted benefits are totally omitted from the IUR measure of unemployment. And that has the perverse effect of penalizing those States that have those chronic and long-term unemployments.

Fourth, the financing of the program would be arranged with a sliding scale so that as a State's unemployment rate increases, the Federal Government would pay an increasing share of the benefits in that State. This provision, Mr. Chairman, is really one of the most important components of our legislation.

The current extended benefit program which treats equally all States that trigger on regardless of their unemployment level is not equitable, and in many cases limits the effectiveness of the program by uniformly paying the 50 percent. It will have the effect of driving up spending substantially and has the effect of increasing payroll taxes and UI debts in those states with the highest levels of unemployment.

The new program also would include in the federal financing share, a sliding share, between FUTA revenues and general revenues so that the higher the level of unemployment, the higher the general revenue contribution.

Mr. Chairman, we also would like to make several suggestions that we believe would improve our proposal. We believe that it should allow for the use of substate triggers. We understand it's being discussed this morning. We also understand that that is understood not in this bill, because I think we need to have a greater study of what the impact of that cost would be.

But I think at that time as a minimum we would suggest that the subcommittee would allow States to use substate triggers if they so choose. In addition, we believe that the subcommittee not only choose between their current IUR and TOR, but to choose between their regular insured unemployment rate and their long-term insured unemployment rate, current FCC program, regular IUR, and their long-term IUR to determine the number of weeks and benefits available for the unemployed in their State.

We believe this option should be continued along with the new total unemployment rate alternative.

Finally, we believe the system should include incentives for job searches, training, retraining, and work sharing. Workers receiving unemployment insurance should in our opinion be allowed to participate in retraining programs.

1970 Federal law prohibits states from denying UI eligibility to those in training "with the approval of the State." And the Job Training Partnership Act clearly affirms this policy thrust to combine UI and training. Yet states still vary widely in their administrative practices in this matter.

There is no real comprehensive approach to the problem. One proposal to encourage greater use of UI training combination was introduced by Representative Kennelly in the last Congress, which bill I am pleased to cosponsor. This bill would allow the UI benefits paid to to be credited toward UI owed by the State on its UI debt.

This approach simultaneously would address two issues. First, the need for retraining the unemployed and the need to do so without adding further to the UI debt problem.

Another innovative approach to the UI system is to facilitate at this time UI sharing programs. Work sharing or part time compensation offers an alternative to layoffs by providing partial UI payments to compensate for general retraining deductions in work hours spread broadly across an employer's work force.

So in conclusion, we are convinced that the kinds of reforms the UI system outlined in my testimony today are necessary and are possible in this Congress. And we commend you for undertaking this effort to build a broadbase support to simplify and improve the unemployment compensation at the Federal level to the benefits of the States and for its beneficiaries, the American people at large.

Chairman FORD. Thank you very much for this opportunity.

[The prepared statement follows:]

STATEMENT OF HON. WILLIAM F. CLINGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA, AND COCHAIR, TASK FORCE ON UNEMPLOYMENT INSURANCE, NORTHEAST-MIDWEST CONGRESSIONAL COALITION

Mr. Chairman and Members of the Subcommittee, as co-chair of the Northeast-Midwest Congressional Coalition's Task Force on Unemployment Insurance, I am pleased to have the opportunity to testify before you this morning. I commend you for holding this series of hearings on proposals for comprehensive reform of the current unemployment insurance system.

When Congress first created the UI system in 1935 as part of the Social Security Act, its hope was to avoid a reprise of the desperate conditions of the Great Depression. At the time, UI was a unique and rather forward-thinking—some might even say experimental—program.

In the 50 years since then, however, our economy has changed considerably, but the UI system has not kept pace. During the economic changes and difficulties of the last decade, we have patched up the system whenever an emergency presented itself. However, these short-term measures do not guarantee that our unemployed, their families, and their communities will receive the assistance needed to relieve their distress.

In addition, the continuing shift from a goods-producing economy to one based increasingly on services and information is displacing large numbers of workers from older industries, making it unlikely that unemployment will return to the relatively low levels of the 1970s in the near future. Adapting the UI system to current realities must be a top priority.

As co-chairs of the Coalition's Task Force on Unemployment Insurance, Representative Don Pease and I last September testified before this subcommittee calling for basic reforms in the UI system to make it more reliable for those who depend upon it, more responsive to changes in the economy, and more effective in providing relief and helping put people back to work. Two weeks ago, we—along with Representatives Stark, Boehlert, and Kaptur—introduced legislation that would make many of these long-overdue reforms in our UI system. The bill, The Extended Unemployment Compensation Act of 1985 (H.R. 1072), would merge the current Extended Benefits (EB) program with the Federal Supplemental Compensation (FSC) program to form a single streamlined program of extended benefits for the longer-term unemployed. It is similar to legislation introduced in the last session of Congress by Senators Byrd and Heinz.

Now is a particularly good time to make the kind of major changes in our UI system that are so necessary. With unemployment down from crisis levels, we should take advantage of this opportunity to achieve a thorough and thoughtful revision of the extended compensation system that will leave us prepared for whatever economic eventuality we might face in future years. The bill we have introduced would make four major reforms in the current extended unemployment systems:

First, the Pease-Clinger bill would set up a single, permanent program of extended unemployment compensation, replacing the existing two programs of extended and federal supplemental benefits. We believe that one consolidated program of benefits beyond the initial 26 weeks, with one set of criteria, instead of two, should make the UI system easier and simpler to implement and understand for both its administrators and its recipients. The current system, with its confusing triggers, changing eligibility standards, and varying benefits duration periods, has caused unnecessary anxiety and frustration for the unemployed. It is no better for state officials who have to adapt their own UI systems to continual change.

Second, rather than having, as in the current EB program, state eligibility requirements that dictate that a state is eligible for "all or none" of the current 13-week benefit period, the bill would set up a system similar to the current FSC pro-

gram, so that states with the greatest levels of unemployment would be eligible for the greatest number of weeks of benefits.

Third, it no longer would see a state's Insured Unemployment Rate [IUR] as the sole determinant for eligibility for extended compensation. Instead, it would allow a state to choose between its Insured Unemployment Rate [IUR] and its Total Unemployment Rate [TUR], using whichever measure would result in the greatest number of weeks of benefits.

Unlike the IUR, the TUR is a state's most comprehensive measure of unemployment; it includes all of a state's unemployed, as measured by the Bureau of Labor Statistics, in it calculation of joblessness. The IUR, on the other hand, counts as unemployed only those who are receiving regular state UI benefits. Those receiving extended and federal supplemental benefits, as well as those who have exhausted their benefits, are omitted from the IUR measure of unemployment. Because of this, we do not believe the IUR adequately reflects economic distress in those parts of the country suffering the most from long-term unemployment.

Fourth, the financing of the program would be arranged with a sliding scale, so that as a state's unemployment rate increases, the federal government pays an increasing share of the benefits in that state. This provision is one of the most important components of our legislation. The current EB program—which treats equally all states that trigger "on," regardless of their unemployment level—is not equitable and, in many cases, limits the effectiveness of the program. By uniformly paying 50 percent of the EB claims within a state, it can have the perverse effect of driving up spending substantially and increasing payroll taxes and UI debts in those states with the highest levels of unemployment. Thus it discourages business growth where it is needed most.

The new program also would include in the federal financing share a sliding scale between FUTA "trust fund" revenues and general revenues, so that the higher the level of unemployment, the higher the general revenue contribution.

Mr. Chairman, we also would like to make several suggestions we believe would improve H.R. 1072. We believe it should allow for the use of substate triggers. This proposal is designed to remove the inequities that arise from the use of statewide triggers only. Statewide triggers do not address—and, indeed, ignore—the fact that areas within a state may suffer from extremely high and prolonged unemployment, even though the state's overall unemployment rate may be below the "trigger rate" for extended compensation. At a minimum, the subcommittee should allow states to use substate triggers if they so chose.

In addition, we believe that the subcommittee should consider allowing states not only to choose between their curent IUR and TUR, but to choose between their regular IUR, their long-term IUR, and their TUR. The current FSC program allows states to choose between their regular IUR and their long-term IUR to determine the number of weeks of benefits available to the unemployed in their state. We believe this option should be continued along with the new TUR alternative. Such a change is particularly important for those states in which the administration says insufficient data is available to compile a reliable TUR on a month-by-month basis.

Finally, the system should include incentives for job searches, training and retraining, and work sharing. In the past, we have used UI simply as an income maintenance program for the unemployed. It is time we also used it as a tool to help keep people at work and to train the unemployed: as a tool to help unemployed workers find new jobs and speed their adjustment back into the workplace.

Workers receiving UI should be allowed to participate in retraining programs. A 1970 federal law prohibits states from denying UI eligibility to those in training "with the approval of the state," and the Job Training Partnership Act (JTPA) clearly affirms this policy thrust to combine UI and training. Yet states vary widely in their administrative practices in this matter. One proposal to encourage greater use of the UI-training combination was introduced by Representative Kennelly in the last Congress. I was an original co-sponsor of that bill along with Representatives Oakar and Boehlert. The bill would allow the UI benefits paid to unemployed persons engaged in retraining courses to be credited toward interest owed by the state on its UI debt. This approach simultaneously would address two issues: the need for retraining the unemployed and the need to do so without adding further to the UI debt problem.

Another innovative approach to the UI system is to facilitate the use of work sharing programs, such as those in California, Maryland, Oregon, Arizona, Washington, and Florida. Work sharing, or part-time compensation, offers an alternative to layoffs by providing partial UI payments to compensate for general reductions in work hours spread broadly across an employer's work force. The program benefits

employers by allowing them to maintain a a skilled work force, and helps employees by distributing unemployment without significant reductions in income.

In conclusion, Mr. Chairman, we are convinced that the kinds of reforms of the UI system outlined in my testimony are necessary and possible in this Congress. We want to build broad-based support of this comprehensive effort to simplify and improve the unemployment compensation program at the federal level, for the benefit of the states and for its beneficiaries—the American people at large. Thank you for this opportunity to present our views and I would be pleased to answer any questions you may have at this time.

Chairman FORD. I would thank you very much. I'd like to recognize Mr. Pease, a big advocate of the reform bill in the Congress.

So at this time, Mr. Pease.

Mr. PEASE. Mr. Chairman, I'll be very brief.

As I said before, I'd like to associate myself with the remarks of Mr. Clinger and tell him what a pleasure it's been to serve as cochairman with him as cochairmen of the Northest-Midwest Coalition Task Force on Unemployment Insurance, cutting across party affiliations.

And I think we in the Midwest understand better than other people do. It's been a general joy to work with you, Bill. I commend you on your testimony this morning.

Mr. CLINGER. Thank you very much. I might reciprocate.

Chairman FORD. Mr. Campbell, you're recognized.

Mr. CAMPBELL. Thank you very much, Mr. Chairman.

I want to commend you and Mr. Pease. I, too, have a couple of questions that I'd like to ask.

Have you done a workup at all to see what the cost would have been for the Federal Government if you had this in place since 1982? Have we done a comparison?

Mr. CLINGER. What it would have been like had we had this? We have not. And Mr. Pease indicated at present the only analysis we've done is if it be done now. And that compares very favorably with the present system.

Mr. CAMPBELL. But of course it would trigger a much larger cost as I noticed—we're 50/50 now on the State with that program. As you do it, you do a sliding scale up to an 80-percent Federal share.

Mr. CLINGER. Right.

Mr. CAMPBELL. And you would have been at a minimum of 60 the last time if we had a 10-percent or above level. I was wondering what kind of cost comparison you might have and if you've done it?

Mr. CLINGER. We have not done it. I think it would be a good comparison to get.

Mr. CAMPBELL. I think it's a very innovative approach. I also would have to ask you as you look at the three scales that you talk about using for States to choose between, one would be the IUR, the other would be an extended IUR, and the final would be TUR.

Now, the TUR gives me a little concern because the people that we're going to make eligible are only those that are IUR eligible to begin with. I have some problem in using the TUR to determine only IUR eligibility.

Did you give any thought to possibly revising the IUR to include a much broader group for the States in lieu of the TUR? As you know, we exclude from the individual IUR now the FSC and EB claimants. Did you work up something utilizing that type of a trigger as opposed to the TUR?

Mr. CLINGER. In other words, to expand the definition of it?

Mr. CAMPBELL. Expand the definition of IUR. In other words, people who have been IUR, and instead of having them trigger off and not counted any more, perhaps expand that in lieu of going to total TUR which counts people who never were eligible.

Mr. CLINGER. I think that's an interesting suggestion, one we should certainly consider. I think the reason we went to the TUR, for example, in a State like Pennsylvania or Ohio clearly where you have chronic and very long-term unemployment, you are in effect penalizing those who are coming into the system and are qualified by virtue of the fact that TUR in effect triggered you off.

Mr. CAMPBELL. But they would not have a system if they were qualified to come in under an expanded IUR, which would probably take care of that situation to a large degree anyhow?

Mr. CLINGER. I think probably.

Mr. PEASE. May I?

Mr. CAMPBELL. Certainly.

Mr. PEASE. I think I hear you describing essentially the system that we had prior to 1981 with the Reconciliation Act; is that so?

Mr. CAMPBELL. To some degree. In 1981 the reconciliation bill went back to a strict IUR definition. And as we came through the low point in the economy, I think we all became aware that the strict definition there does not serve the purpose for a long-term slump in the economy.

But the possibility does exist—and, of course, we didn't have it when we passed in 1982 the FSC. That came along later. So we're dealing in a different type of climate today.

But since we are talking about the combination of the EB and FSC, then I think we ought to consider it. Since we are at an improved position in the economy, it would seem that now is the time to take a very objective look at the whole program, as you have done.

But I still have a great deal of problem going to the TUR when you are essentially counting under that method people who do not and would not be eligible for IUR under any circumstances. And I think that we're going too broad. So I was just exploring the possibility—since we were exploring them all—as to whether there was another formula that might be broader than the IUR that would still keep the count of those within those who would have originally been eligible or who had been eligible.

Mr. PEASE. Well, if the gentleman would yield further, I do think that's worth looking into. I suspect one thought in our mind is that the administration was opposed to counting people eligible for extended benefits as part of the IUR. And that might have had a little chilling effect on our plans.

But the other thing is that in a period of a long, extended unemployment, even if you count people who are collecting EB as part of the IUR, eventually people run out of State benefits and EB also. And if they're really long-term unemployed—a year, a year-and-a-half, they're still unemployed—but to count these people an extended IUR definition might pick them up.

I understand your concern because some people were counted under TUR who are not eligible and wouldn't be eligible for unem-

ployment compensation. And also, as we know, TUR is not as scientific as the IUR.

On the other hand, in our bill we have set the unemployment levels for TUR quite high. So we think there is flexibility there. If a State's unemployment rate, TUR, is 11 percent, if it's off by a percent, or even two, there's still a lot of unemployment in the State. So perhaps even though that is not quite as precise it would be useful.

Mr. CAMPBELL. Well, I see what the gentleman is trying to do. I think that probably somewhere there can be a meeting of the minds on a formula. I do have that concern with the TUR.

And, of course, I go back again. You referred to the EB exhaustive person not being counted. We're talking about revising FSC, which was a temporary program. And, you know, we have a tendancy to take temporary programs and make them permanent. I think that would be the worst mistake we could make.

I think we probably would be much wiser to follow the course, a course certainly that you have begun to explore, of a total revision and come back to a program that makes sense but have a formula that does count and take into consideration the people that you have mentioned that might have expired under EB.

But I again reiterate: I have real problems with using the TUR.

Mr. CLINGER. Mr. Chairman, I think we've learned a lot from the last retraining session about what works and what doesn't work. And I think your point about now is the best time to really address this in a very thoughtful way is good, because we do have this time. Somewhere along the line we'll be faced with the problem again. And I think now is the time to really revise and not just patch up the system.

Mr. CAMPBELL. I again commend, Mr. Chairman, the gentleman from Pennsylvania and gentleman from Ohio who did a very fine piece of work to give us a lot of food for thought. I assure you that I'm certainly going to give very serious consideration to the thoughts they have put forward.

Chairman FORD. Thank you very much, Mr. Clinger, for appearing before the committee—I'm sorry. Mrs. Kennelly.

Mrs. KENNELLY. I'd like to thank him for the time he's put into the subject and would tell you I'm working with the Northeast-Midwest Coalition to do a revision of the bill discussed in his testimony

Mr. CLINGER. I understand that and look forward to cosponsoring with you.

Mrs. KENNELLY. Thank you.

Chairman FORD. Thank you very much.

Mr. Boucher has just entered the committee room. And we're delighted to have you.

We'll recognize you at this time, Mr. Boucher.

STATEMENT OF HON. FREDERICK C. (RICK) BOUCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. BOUCHER. Thank you, Mr. Chairman. Rarely has my sense of timing been so good.

Mr. PEASE. We realize how busy your schedule is, Mr. Boucher, and we're happy that we didn't make you wait more than 2 seconds.

Mr. BOUCHER. Thank you. This is the most considerate committee.

Mr. Chairman, I appreciate the opportunity to appear before you today in support of H.R. 1106, legislation I have introduced to amend the Federal-State Extended Unemployment Compensation Act to provide for the payment of extended unemployment benefits in substate areas and to replace the insured unemployment rate with the regular unemployment rate for the purpose of triggering the program. Our colleague from Massachusetts, Mr. Conte, has introduced H.R. 646 to achieve these broad objectives, and I commend the bill to you for your consideration.

H.R. 1106 is designed to remove the inequities in the current benefits program which arise from the use of a statewide activating trigger program. Because the payment of extended benefits is activated only by a measure of statewide unemployment, extended benefits are not available in regions of very high unemployment located within States that have, overall, very low rates of unemployment.

My own State of Virginia provides an excellent example of how the current system operates. The heavily military presence in Virginia's Tidewater area and the large civilian Federal work force in northern Virginia have served together to stabilize the State's economy. Notwithstanding that fact, the State unemployment rate today is 5.1 percent and the IUR is 1.8 percent. That's well below the extended benefits triggered.

During the period July of 1982 and June of 1983 when the recession was most severe, Virginia's unemployment rate ranged between 6 and 8 percent and the State's IUR remained well below 3 percent. Despite the State's relatively low unemployment rate throughout the 12-month period, regions within the State experienced unemployment more than triple the national rate and more than quadruple the State rate.

In the coal producing counties of southwest Virginia, unemployment ranged between 25 and 35 percent, well above the State and national averages. Notwithstanding these devastatingly high unemployment rates, no extended benefits were available to assist jobless people in my district due to Virginia's relatively low level of unemployment.

Although the situation was particularly acute in Virginia, virtually every State that did not activate its extended benefits program during the depths of the recession had regions of unemployment far above the States average unemployment rate. Today, reliance on a statewide measure of unemployment for the extended program trigger denies the long-term unemployed the benefits they need to provide for their families while they search for new employment.

The unfairness of the current program is striking. At one point during the recession Buchanan County, VA, had an unemployment rate of 32.8 percent while Detroit, MI, had an unemployment rate of 24.2 percent. Since Virgnina's IUR was well below the extended benefits trigger, unemployed, coal miners in Buchanan County

were not entitled to the benefits that were payable to unemployed auto workers in Detroit.

At the same time the unemployment rate in Duluth, MN, was 20.9 percent while the rate of unemployment in Pittsburgh, PA, was 11.6 percent. Minnesota's IUR was below the statewide trigger used to activate the extended benefits program, and the unemployed iron ore workers there were denied the extended benefits available to unemployed steel workers in Pittsburgh.

Under the provisions of H.R. 1106, the payment of extended benefits would be activated on a statewide basis if a State's regular overall unemployment rate is 9 percent or greater for at least 3 consecutive months. If the statewide program is not activated, however, extended benefits may be payable on a substate basis if the regular unemployment rate in that substate economic area exceeds 9 percent for three consecutive months.

Economic areas to be used for this purpose have been devised by the Bureau of Economic Analysis of the Department of Commerce and reflect common economic interests within a given area. There are 189 economic areas in the Nation, but for the purposes of the extended benefits program some amendments to these areas may well be necessary.

Although the boundaries of economic areas follow existing county and city lines, they often cross State lines. My bill provides that for purposes of the EB Program, those areas that are comprised of jurisdictions from more than one State will be considered as independent areas within each State.

Use of the economic area system will allow for the payment of extended benefits in substate areas and will alleviate the inequity that is caused by use of only a statewide trigger to activate the program.

The principal problem in implementing a substate mechanism for the payment of extended benefits has been the collection of data. Use of economic areas as devised by the Department of Commerce would require that the Department of Labor obtain from State unemployment commissions or by other means unemployment rates for each county and city in the Nation. This data would then be analyzed to determine unemployment rates for each of the economic areas.

Once the data collection procedures are established, I'm confident that the system could operate smoothly, and that benefits would be targeted to those most in need.

While the national economy has improved during the past 2 years, unemployment in the coal industry, steel industry, and other sectors of the economy remains high today. To help assure equitable unemployment compensation for jobless persons living in pockets of high unemployment, I strongly urge the committee to incorporate H.R. 1106, the Unemployment Compensation Fairness Act into legislation which extends the Federal Supplemental Compensation Program.

I thank you for giving me the honor of appearing before you today.

[The prepared statement follows:]

STATEMENT OF HON. FREDERICK C. (RICK) BOUCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman and members of the subcommittee; thank you for the opportunity to appear before you today in support of H.R. 1106, legislation I have introduced to amend the Federal-State Extended Unemployment Compensation Act to provide for the payment of extended unemployment benefits in substate areas and to replace the Insured Unemployment Rate [IUR] with the regular unemployment rate for the purpose of triggering the program. Our colleague from Massachusetts, Mr. Conte, has introduced legislation, H.R. 646, to achieve these broad objectives which I commend to you for consideration.

H.R. 1106 is designed to remove the inequities in the current extended benefits program which arise from the use of a statewide trigger to activate the EB program. Because the payment of extended benefits is activated only by a measure of statewide unemployment (the IUR), extended benefits are not available in regions of very high unemployment located within states that have overall low rates of unemployment. In fact, extended benefits are today only available to unemployed workers in Puerto Rico.

My own state of Virginia provides an excellent example of how the current program fails to serve those most in need of extended benefits. The heavy military presence in Virginia's Tidewater area and the large federal civilian workforce in Northern Virginia have served to stabilize Virginia's economy. Today the unemployment rate in Virginia is 5.1 percent and the IUR is 1.8 percent, well below the EB trigger.

During the period between July, 1982 and June, 1983, when the recession was most severe, Virginia's unemployment rate ranged between 6 percent and 8 percent and the state's IUR remained below 3 percent. Despite the state's relatively low unemployment rate throughout the 12-month period, regions within the state experienced unemployment more than triple the national rate and more than quadruple the state rate. In the coal producing counties of Southwest Virginia, unemployment currently ranges between 15 percent and 25 percent, well above the state and national averages.

Notwithstanding these devastatingly high unemployment rates, no extended benefits have been available to assist jobless people in my district due to Virginia's relatively low level of unemployment. Although the situation was particularly acute in Virginia, virtually every state that did not activate its extended benefits program during the depths of the recession had regions of unemployment far above the state's average unemployment rate. Today, reliance on a statewide measure of unemployment for the extended benefits trigger denies the long-term unemployed nationwide the benefits they need to provide for their families while they search for new employment.

The unfairness of the current program is striking. At one point during the recession, Buchanan County, Virginia had an unemployment rate of 32.8 percent, while Detroit, Michigan had an unemployment rate of 20.4 percent. Because Virginia's IUR was below the extended benefits trigger, unemployed coal miners in Buchanan County did not receive the extended benefits payable to the unemployed auto workers in Detroit.

At the same time, the unemployment rate in Duluth, Minnesota was 20.9 percent while the unemployment rate in Pittsburgh, Pennsylvania was 11.6 percent. Minnesota's IUR was below the statewide trigger used to activate the extended benefits program, and unemployed iron-ore workers were denied the extended benefits available to unemployed steelworkers in Pittsburgh.

Under the provisions of H.R. 1106, the payment of extended benefits would still be activated on a statewide basis if a state's overall unemployment rate is 9 percent or greater for at least three consecutive months. If the statewide program is not activated, however, extended benefits may be payable on a substate basis if the unemployment rate in any given "economic area" exceeds 9 percent for three consecutive months. The economic areas to be used for this purpose have been devised by the Bureau of Economic Analysis of the Department of Commerce and reflect common economic interest within states.

There are 189 economic areas in the nation, but, for the purposes of the extended benefits program, some amendments to the areas will be necessary. For example, although the boundaries of economic areas follow existing county and city lines, they often cross state lines. My legislation provides that, for purposes of the EB program, those areas which are comprised of jurisdictions from more than one state will be considered as independent areas within their respective states. Use of the economic area system will allow for the payment of extended benefits in substate

areas and will alleviate the inequity caused by the use of only a statewide trigger for the extended benefits program.

The principal problem in implementing a substate mechanism for the payment of extended benefits is data collection. Use of the economic areas would require that the Department of Labor obtain from state unemployment commissions or by other means unemployment rates for each county and city in the country. This data would then by analyzed to determine unemployment rates for each of the economic areas in the country. Once the data collection procedures are established, I am confident that the system could operate smoothly and that benefits would be targeted to those most in need.

While the national economy has improved, unemployment in the coal industry, steel industry and other sectors of the economy remains high. To help assure equitable unemployment compensation for jobless persons living in pockets of high unemployment, I strongly urge the Committee to incorporate H.R. 1106, the Unemployment Compensation Fairness Act, into legislation to extend the Federal Supplemental Compensation program.

Thank you.

Chairman FORD. Thank you very much for your testimony before the committee, Mr. Boucher.

Your legislation was introduced, I think, yesterday.

Mr. BOUCHER. That is correct.

Chairman FORD. Now, you said that to Mr. Conte's H.R. 646 would achieve the same broad objectives of your bill. What about the factors in your bill, cost factors in your bill.

Mr. BOUCHER. I haven't had an opportunity to evaluate the cost factors of the legislation and feel somewhat uninformed. I would be happy to make that evaluation and supply the subcommittee with such information.

Chairman FORD. But you do support the concept and the objectives of the Conte bill; is that correct?

Mr. BOUCHER. I do, Mr. Chairman. It seems to me that the real question here is what kind of substate trigger should be established to trigger the EB Program within States that have overall low unemployment rates. If Mr. Conte's proposal proves to the committee to be easier to administer than mine, I would opt for his.

Chairman FORD. The major concern is the substate triggers; is that correct?

Mr. BOUCHER. That is correct, Mr. Chairman.

Chairman FORD. March 31 is the expiration of FSC and that is why the committee now is taking under consideration your bill and the bills introduced by other Members. And there is a possibility that the subcommittee will bring its own bill to the committee for markup session.

We are in fact concerned about the expiration itself as well as other provisions within the bill, to address that particular problem, because there are pockets of unemployment in different States with relatively low unemployment. And how do we reach those areas in a fashion that we can respond with some unemployment compensation benefits?

I think two or three things are happening now. The administration will be testifying in a few minutes and it might be good if the administration, if they would call them out to the committee room. They ought to be here to hear from some of these members rather than in the back of this committee room and offices. They ought to come and listen to some of this.

But at the same time I would say to you that we are going to be looking to Members on both sides of the aisle, both sides of the

aisle, to give us input as it relates to what type of bill we should bring before the subcommittee as well as to the full committee.

Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

I have some interest in the substate trigger mechanisms. One of the concerns—and I'll just ask you if you've given it thought—that I've had, and after talking about the people in other States, is that the gathering of the data would have taken a long time. It seems that it works with the national data gathered for the national figures and the State data is gathered. And then after that the county or subdivision data is gathered.

I just wondered if you had given any thought to how the reversal of that might be. I notice that UPI used 189 districts. Would these be metropolitan statistics, SMSA's, or what are your districts there?

Mr. BOUCHER. They are not SMSA's. They are economic areas as defined by the Department of Commerce. They are presently assigned throughout the Nation, 189 in number.

And the beauty of using these areas from our standpoint is that they do respect city and county boundaries. While they do cross State lines, my bill would restrict the operation of the area for purposes of the EB Program to the counties and cities within a given State. We chose that because we thought it would make data collection a lot easier than using SMSA's.

The other comment I would make in response to your question is that while there may be some lag time in collecting the data, I think my unemployed constituents would far rather have a lag than not receive extended benefits at all. Therefore, while that might be a concern the committee might want to address, it shouldn't be a detriment to implementation.

Mr. CAMPBELL. I tend to agree with you on that.

Chairman FORD. Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman.

Thank you, Mr. Boucher. Clearly you're one of our more thoughtful Members. I really commend you for your interest in substate triggers. Mr. Clinger and I, on behalf of the Northeast-Midwest Coalition have been chewing on that for a couple of years and we need to find a workable way to do it. And it appears to me that you have put in some good work toward finding that.

So I hope very much that that will work out. And especially looking at your Department of Commerce economic areas as a possibility.

I'd just like to underscore the point that you made a minute ago that unemployed people could tolerate a delay in getting information. The people in your area and mine have been unemployed now for 3 years or more. If they had to wait 2 or 3 months, they'd still be a lot better off than not getting it at all.

And on the point when we get down to substate triggers, there will be nervous negotiation on the part of a lot of people because they won't be as accurate as the statewide figures. I think in recognition of that, we can well impose a higher standard for substate triggers, 2 percentage points higher, 3 percentage points higher, whatever, and that would still be a great benefit to areas like yours

with far, far higher than the State average or the national average. Thank you.

Mr. BOUCHER. That's a valuable suggestion.

Chairman FORD. Mrs. Kennelly.

Mrs. KENNELLY. No questions, thank you.

Chairman FORD. Thank you, Mr. Boucher.

Mr. BOUCHER. Thank you, Mr. Chairman.

Chairman FORD. Mr. Oberstar.

We once again welcome you to the subcommittee. You've always been very helpful to this subcommittee. You've offered us information we have been in need of, unemployment compensation, FSC, reach back provisions, as well as the extended benefit program.

Once again we are delighted to have you. And the committee will recognize you at this time.

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. OBERSTAR. Thank you very much, Mr. Chairman.

Prior to coming to the hearing this morning, I looked through the folder of information which I've kept on my various appearances before the subcommittee. From the size of the folder, it seems I have been a habitue of this committee. I have been such because of the significance of your work to the people I represent in northeastern Minnesota which has experienced severe economic distress.

I certainly also want to commend you, Mr. Chairman, and the committee, for holding these hearings at an early date in this session. Usually we consider unemployment compensation in a crisis atmosphere, and urgency is upon the Congress to act. And we act perhaps without the greatest opportunity to consider all the factors, particularly the long term.

Beginning at this time early in the session will give the committee an opportunity to do that. That doesn't mean, having said that, that the Nation is not facing serious immediate economic problems. While the unemployment rate has dropped from the worst level since the depression, it's still unacceptably high and still nowhere near full employment as required by the Full Employment Act of 1946 or the Humphrey-Hawkins Act in more recent date.

Even given the decline in the unemployment rate nationally, the so-called recovery is uneven at best and disastrous in some places.

In my own State of Minnesota, we have an overall unemployment rate of about 6½ percent. In counties in my district, however, we have an unemployment rate more than double that number, in some cases above 15 percent. We have towns with unemployment rates as high as 80 percent.

And yet those people who have been out of work the longest, who live in an area that has been hit the hardest by the downturn of the steel industry and by the more recent depression in the wood products market aren't getting supplemental compensation. And those who have been certified eligible for trade adjustment assistance aren't getting the TAA benefits either.

The committee has two tasks. One is to undertake a long-term reform of unemployment comp, and two, to address the short-term

problem that we're facing with the March 31 deadline of expiration of the program which will mean virtual termination of Federal unemployment benefits for those who need them the most.

We have 8 million people out of work nationwide; we have in my own State of Minnesota over 150,000 people.

Furthermore, the Minnesota figure is the latest available—December rate.

It doesn't reflect the continuing downward trend in the construction trades in the Twin Cities area which is the strongest area economically in our State right now.

There are some basic problems with the insured unemployment rate. It's accurate in the short run, but it is inadequate for extended periods of recession. The problem is that it includes only those who are receiving the basic State benefits in computing the unemployment rate.

Theoretically it would be possible for every worker in the State to be unemployed and for that State to have zero IUR if all the unemployed either had exhausted their benefits or weren't eligible in the first place.

Now, I don't think that's what the Congress had in mind when we attempted to respond to the problems of unemployment. Furthermore, it's an all or nothing situation for EB—13 weeks or nothing. We ought to have some sort of a sliding scale that would respond more effectively to varying levels of unemployment and economic distress.

The Northeast-Midwest Coalition established, in the last Congress when I chaired the coalition, a task force on unemployment compensation. Our colleagues, Mr. Pease, and Mr. Clinger on the Republican side, cochaired that taskforce and has, presented to this subcommittee detailed testimony last year.

Mr. Clinger has testified today and Mr. Pease sits as a member of the subcommittee.

I won't duplicate the coalition testimony except to re-enforce a few points. One, we ought to be using the total unemployment rate as a basis for determining eligibility for extended compensation benefits. Second, I think there ought to be a sliding scale for the number of benefit weeks funded through a Federal program. Third, there should also be a sliding scale for funding the program—the higher the level of unemployment, the greater should be the Federal share.

The coalition has also supported unifying the extended benefits program and the FSC. That's fine, but if you don't make the other changes then unifying the two programs doesn't really help.

Further, I would like to again emphasize as I have in several previous appearances, my support for a substate trigger program. This committee after many deliberations on the subject did direct the Department of Labor to study substate triggers. That report was completed, submitted to the Congress last summer. I read it as I'm sure members of this committee did.

Essentially they recognize that substate triggers can be made to work. I want to quote from labor's report to the committee: "While implementation of substate programs may be technically feasible if proper lead time and sources are made available, many issues remaining must be answered."

The point is technically feasible. It can be done. The Congress, however, must direct labor to get on with the job. Let's do it. You've already heard very cogent testimony from our colleague, Mr. Boucher. He and I agree. His proposal incorporates many of the features I had in H.R. 233, legislation which I introduced in the 98th Congress.

Minnesota is in some respects three States: One, the Twin City area which includes about 60 percent of the population of the State. They're booming, doing well, although there's some decline now underway in certain sectors; two, the rural communities in Minnesota, dependent upon the farm economy; and you have Minnesota No. 3 in my district where iron ore mining and wood products industries are major employers. In my district, unemployment is twice the national average.

My people don't get anything because Minnesota isn't triggered on. That's unjust. It leads to disparities, confusion and disillusionment.

This committee could do workers of this country a great service by pressing the Department to move ahead a substate program. It can be done. The details may take a little time to work out, but it is feasible and ought to be done.

And if I my leave you with one urgent message, move ahead with that approach. Thank you.

[The prepared statement follows:]

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman, members of the subcommittee, I want to commend the subcommittee for ensuring that the Federal unemployment compensation program has become the subject of one of the very first hearings of the 99th Congress.

Your action in scheduling this early hearing is recognition of the importance of this issue not only to those currently unemployed, but to those Americans who will endure the hardship of future unemployment.

Too often in the past, major unemployment compensation legislation has been passed under the pressure of the need to provide immediate assistance at a time of rising unemployment. The Congress has necessarily considered the legislation in a crisis atmosphere in which we were responding to the plight of hundreds of thousands of Americans who were then exhausting benefits monthly.

Now is an appropriate time in which to consider long-term reform of the Nation's unemployment compensation program because the unemployment rate has dropped significantly from the double-digit levels of 2 years ago. Nevertheless, a national rate in excess of 7 percent, of course, is unacceptably high.

Furthermore, economic recovery has been uneven. Certain regions and sectors of the economy have experienced only partial recovery from the depths of the recession.

The statewide unemployment rate in Minnesota is approximately 6.5 percent; it is double that in 10 of the counties in my district (Aitkin, Carlton, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and St. Louis Counties). In some communities totally dependent on the taconite industry, unemployment rates approach 80 percent, and total employment in the taconite industry only one-third of what it was before the start of the 1981-83 recession.

The task before Congress in the weeks ahead is twofold:

(1) to undertake meaningful long-term reform of the Federal unemployment compensation program in order to ensure a more effective long-term program, particularly during the next economic downturn; and

(2) to recognize that in the short term we still have a serious unemployment problem and that on March 31, the Federal Supplemental Compensation Program will expire. In view of the present trigger mechanism for the permanent Extended Benefits Program, the expiration of FSC will mean the virtual termination of any currently effective Federal Unemployment Compensation Program.

On April 1, in perhaps all but two or three jurisdictions in the United States, the only unemployment compensation program available will be the State programs. Only by blinding ourselves to economic reality and to the persistently high unemployment rate can Congress accept elimination of effective Federal assistance to the unemployed.

Approximately 8 million Americans are still unemployed. In Minnesota, at the end of December, over 150,000 Minnesotans were classified as unemployed. I've mentioned the critical problem which we still have in my district.

I am here today to urge this subcommittee to act on legislation which addresses both the present situation where, despite continued high unemployment, the Federal Unemployment Compensation Program is virtually eliminated, and to address the inadequacies and unnecessary complexities of the present permanent Extended Benefits Program.

The present EB system uses the concept of the insured unemployment rate as the "trigger" for extended benefits. I have raised this issue at hearings in the 97th and 98th Congresses, as have a number of other members who have been struck by the inadequacies of the IUR as the sole trigger.

A fundamental problem with the use of the ensured unemployment rate is that while it is an accurate indicator of unemployment distress during short-term downswings in the economy and during periods of increasing unemployment, it is an adequate measure of unemployment distress during prolonged long recessions. The ensured unemployment rate underestimates employment because it includes only those receiving basic State benefits in the unemployment rate computation. Theoretically, it would be possible for every worker in a State to be unemployed, and the IUR would be zero if all of the unemployed had either exhausted State unemployment benefits or never been eligible for such benefits.

Furthermore, the present trigger provides either 13 weeks of eligibility if the trigger is on, or zero weeks of eligibility if the trigger is off. Finally, the trigger applies to an entire State regardless of how large or how economically diverse the individual State is.

In the last Congress, I served as cochairman of the Northeast-Midwest Congressional Coalition. The Coalition Task Force on Unemployment Compensation, chaired by Mr. Clinger and Mr. Pease, extensively reviewed deficiencies in the present unemployment program and reviewed proposed changes. Mr. Clinger is testifying today on behalf of the Coalition, and I will not repeat in detail the recommendation which he makes on behalf of the coalition task force in his testimony. I would, however, want to call attention to the task force proposal for the following long-term reforms in unemployment compensation:

(1) the use of the total unemployment rate as an alternative for determining the eligibility for extended compensation. Such a rate would reflect more accurately the seriousness of an unemployment crisis. Furthermore, it is a concept which is far simpler and far more easily understood by beneficiaries than the complex, somewhat arcane ensured unemployment rate, which is, in addition, so deficient in measuring employment distress during a long recession;

(2) the implementation of a sliding scale for benefit weeks based upon severity of unemployment within the jurisdiction. Linking the number of benefit weeks to the level of unemployment would ensure that States experiencing the most severe unemployment would receive more weeks of benefits. This proposal borrows upon the experience of the Federal supplemental compensation program under which benefit weeks was linked to the level of unemployment;

(3) the use of a sliding scale to increase the Federal share for financing of the program so that as unemployment increased, the Federal Government would pay an increasing share of benefits in the State. Present EB financing structure hits States with half the cost of extended benefits at a time when a State can least afford it—the present law, the State must pick up one-half the cost of the EB Program, no matter how financially distressed it is, and no matter how expensive the program has gotten as the result of the rising unemployment rate.

The coalition has also endorsed the concept of unifying the extended benefits program with the Federal Supplemental Compensation Program. Such a proposal makes sense in that the FSC Program will expire next month and was never intended to be a permanent program. The FSC Program was a commendable response to the crisis situation which we faced in 1982 as the unemployment rate crept toward 11 percent. This subcommittee can be very proud of the way in which it responded by passing this emergency program. Repeated extensions, however, have made it a gerrymandered program forced to perform a function which originally it was never intended to do. A unified Federal program, however, makes sense only if it is combined with the reforms discussed above, and only if it provides sufficient number of

additional weeks of unemployment compensation linked to the severity of unemployment.

At the same time, I think it is essential that the committee consider approving legislation which would trigger unemployment benefits to the alternative to a substate area trigger. Such a trigger would reflect the economic diversity which can exist within large States in particular. For example, in Minnesota, while the total unemployment rate for the State is almost 1 percent below the national average, the unemployment rate in my district continues well above the national average, in some counties approaching 20 percent.

The Department of Labor, which this committee directed to study issues involved in establishing substate areas has concluded that it is technically feasible. It'll take time, some money and personnel to do so, but it can be done. I urge this subcommittee to move forward one step more—include in legislation a direction that the Department develop the data collection methodology and the program design so that substate triggers will be available. The development of such a mechanism will ensure a more effective targeting of Federal unemployment benefits—a more effective delivery of benefits.

I want to thank this subcommittee for the opportunity to testify and for scheduling hearings so early in the new Congress on what is such a critical issue to my constituents.

Chairman FORD. I assure you it is the intent of this subcommittee to move a bill to put a program in place, hopefully before the expiration of the FSC Program. If not, hopefully soon after that March 31 date.

At this time the Chair will recognize Mr. Campbell.

Mr. CAMPBELL. No, thank you.

Chairman FORD. Mr. Pease.

Mr. PEASE. No, thank you.

Chairman FORD. Mrs. Kennelly.

Mrs. KENNELLY. No.

Chairman FORD. We appreciate your testimony.

Mr. OBERSTAR. I have great faith in your ability to move that legislation. You have my support.

Chairman FORD. Thank you.

The other two witnesses have not shown up yet. We'd like to call on the administration at this time. The Honorable Patrick O'Keefe, Deputy Assistant Secretary for Employment and Training for the Department of Labor is our next witness, who will be testifying on behalf of the administration.

Welcome, Mr. O'Keefe. We're delighted to have you.

Mr. O'KEEFE. The acoustics are very good in the offices.

Chairman FORD. I wanted to be sure you were privy to the comments our colleagues said before.

I had an opportunity to read over your statement last night at home, and I thought it would be very timely for you to hear from the members on both sides of the aisle and expressing to this subcommittee that we need to take some actions as relating to the expiration of FSC, and related to the unemployment problems that members have in their districts, as well as relating to the substate triggers and relating to the Extended Benefit Program along with the Federal supplemental compensation and not excluding the reach back provision which we've all had in the past seen bills that have been introduced in the hopper that we have seen, which we've called a few of the members up before the subcommittee today.

There are other bills that other members I'm sure will propose in the coming week. And that way we want to hear from the administration to get some kind of signal as it relates to the administration

itself and where the administration feels we ought to be going, things we ought to be doing.

I hope from reading your statement that there is some flexibility within the administration to take a closer look at the total picture rather than just saying that it might not be a problem of economic growth, and the economy is turning around, and therefore we will not be faced with any future problems. But I think we ought to be looking at the possibility of a downturn in the economy, ought to be looking at the possibility of a long-term solution to the problem which we've been faced with in the past as well as the expiration on March 31.

And at this time, unless Mr. Campbell would have a statement to make, I would yield to Mr. O'Keefe.

Mr. CAMPBELL. Very briefly, Mr. Chairman.

I'm going to try to read the administration's testimony while they offer it because I haven't had an opportunity to look at it before, and I hope I do. If I don't, I'll give you my questions in writing.

Chairman FORD. One of my colleagues, Mr. Levin, is here.

I'm awfully sorry, Mr. Levin, that we called the administration up. We were trying to move on because we realize that there is a joint session of the Congress at 11 o'clock this morning.

I will be happy to have the administration now. We can reconvene after the joint session. Or if you'd like to have your statement made a part of the record at this time, I'd be more than delighted to make it a part of the record. I am not certain that we will go beyond 11 o'clock because Members have expressed—as well as the Chair has expressed—interest in joining the joint session. And we are going to meet tomorrow morning at 9 o'clock, Mr. Levin, and I'd be delighted to have you back at that time or come back this afternoon.

Mr. LEVIN. That's fine. Why don't we see what the subcommittee decides to do in terms of reconvening. And I'll come back either this afternoon or tomorrow. I share your interest in hearing the administration's position on this key issue.

Chairman FORD. Let me say that since we are only talking about 15 minutes, let me hear from the administration at this point. Mr. Campbell has expressed the need for some time, that he would like to discuss some issues with the administration.

Mr. Pease, I'd like to hear from you and Mrs. Kennelly on the timeframe. It is a quarter to 11 now. We had anticipated moving the members a little quicker. I'm just trying to get a feel from the committee members at this point.

Mr. PEASE. Mr. Chairman, I think that 15 minutes is an inadequate amount of time for us to discuss with Mr. O'Keefe the administration's position. So I would suggest that I'd be happy to come back right after the speech and continue if Mr. O'Keefe is available.

Chairman FORD. Mr. O'Keefe, could the committee impose upon you to come back this afternoon, maybe at 1:30—Mr. O'Keefe, we can agree upon the 2 o'clock hour. Would that be agreeable to you?

Mr. O'KEEFE. That would be fine with me, sir.

Chairman FORD. We really appreciate that because it would give all of us an opportunity to hear from you as well as give the administration questions.

Mr. Levin, we would be happy to call you to the witness stand at this point to give your testimony rather than coming back at 2 o'clock this afternoon, and we would have the opportunity to just have the administration on the witness stand this afternoon.

Thank you very much, Mr. O'Keefe.

Mr. O'KEEFE. See you this afternoon.

STATEMENT OF HON. SANDER M. LEVIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. LEVIN. Thank you very much, Mr. Chairman and Mr. Pease.

I think I can cover this in 5 or 7 minutes so that we can go over and hear the Prime Minister.

My testimony has been submitted to the subcommittee and I guess under your normal procedures it will be submitted for the record. So I'll just try to——

Chairman FORD. We will make your full statement part of the record, Mr. Levin.

Mr. LEVIN [continuing]. I'll try to hit simply the highlights.

First of all, thank you for giving me this opportunity. I've had a chance once before to join this subcommittee for some testimony. The picture since then has improved, but two points seem clear to me.

First of all, the time for reform may not be in the worst of times. The best time is perhaps close to the apex instead of the trough of unemployment curves. Second, when times are better, there remain difficulties in many States, and I think most importantly we should remember, for individual families, because these programs are not simply aggregates, they're meant to affect individual families and to assist them.

Five States are still suffering from double digit unemployment rates, including Michigan. But most important, getting to the individual, in the week of January 26, 327,000 individuals had exhausted all of their regular State unemployment compensation and were collecting FSC benefits. In Michigan 17,400 currently depend on FSC benefits. And in the first week of this month, 2,600 more individuals exhausted their State benefits and were required to file for FSC.

So I think this is the best time because it is the worst of times generally. And second, there are individuals who continue to need FSC.

As you know so much better than I, the EB Program has essentially become defunct. We need to do something better. I think the best approach would be comprehensive legislation as introduced by your distinguished colleague, Mr. Chairman, Congressman Pease. I for one very much support its sliding scales and its efforts to tune the unemployment compensation system to the needs of individual families in America as well as individual States.

But it's clear that a comprehensive approach may be difficult to enact. And if that's not possible, then the current program should

be amended to ensure that the States with the highest unemployment levels are eligible for the greatest number of weeks.

This past month the State of Michigan fell from 14 to 12 benefit weeks even though the State's total unemployment rate rose four tenths of a percent to 11 percent. For this reason, my brother over in the Senate and I are going to shortly introduce a more limited approach than has been thus introduced, and that is to extend the FSC Program for 2 years until March 31, 1987.

This legislation would maintain the current benefit structure, but it would make two major changes. First of all, we would move forward the anchor date 1 year to January 1, 1983, the anchor date for LIUR. It just struck us that if we were going to extend the program, we might well have to move the anchor date, though some States would be adversely affected by that. But it seemed to be logical.

Second, it would substitute a total unemployment rate trigger for the current 13 week IUR trigger for the 11 largest States. This change is made for two reasons. First of all, the divergence of the TUR and IUR in recent years has made this second number a less reliable measure of labor market distress. And second, the TUR is statistically reliable for any given month in only the 11 largest States.

So under this approach the trigger of current law is retained for the 39 smaller States. I would hope very much that you could make progress with the comprehensive approach. This is being proposed in the event you feel that you cannot in a relatively short period of time enact comprehensive legislation and need to reenact the FSC with the changes we would hope is proposed to you.

So, Mr. Chairman, and Mr. Pease, and staff and others who are here, this is the approach. I can't emphasize enough, I don't think, the importance of the mission that you've undertaken.

I'd like to, if I might, digress for just a minute and talk about the employment services. Last year I became involved in this issue because of the threatened closing of a number of ES offices. And you'll notice in my testimony some reference to the Job Service Program.

I would hope that this subcommittee might have an opportunity with all the other work that you undertake to inquire into the operation of the ES Program. It's ironical that at the time that there was such unemployment, such a need for constant services, ES offices were being closed.

You know, you say to people you can't have it both ways. What was really happening to thousands of Americans was that they could not have it either way. They could neither have employment or unemployment benefits in many cases, or as it turned out, some counseling as to how they might obtain other employment.

Clearly none of us want unemployment benefits to be a permanent program for anyone. If we believe in that creed, we have to make sure that there are opportunities for people to find alternative employment from what they had earlier.

I wanted to just put in that good word in my urging to this subcommittee. So I close. You know my interest in this area and my admiration for your efforts to make sense out of the program.

When I first came to Congress and tried to understand the unemployment program, frankly I was at a loss. I could not understand how the worse it got for States, the less they were eligible for the benefits of unemployment compensation. And I wish you well.

[The prepared statement follows:]

STATEMENT OF HON. SANDER M. LEVIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. Chairman, I want to thank you and the committee for this opportunity to testify on the extension of the Federal Supplemental Compensation (FSC) Program beyond the March 31, 1985 termination.

In September of 1983, I came before this committee to urge an extension of the FSC Program. Today, 18 months later, I am again urging that this vital program be maintained. In that earlier hearing, I believe two points were made clear by myself and other witnesses. First, that in times of severe economic distress, a supplemental benefit program is critical to assist the long-term unemployed. Secondly, the permanently authorized Extended Benefit (EB) Program, which was designed to assist states with high unemployment, was no longer working as Congress intended, leaving a dangerous vacuum in the social safety net. I strongly believe that both of these points are as true today as they were when the Committee reauthorized the FSC Program in 1983.

It is certainly true that unemployment has declined in the past year and a half, but the current economic expansion has, unfortunately, left many states behind. Five states, Alabama, Louisiana, Michigan, Mississippi, and West Virginia are still suffering from double digit unemployment rates. Another six have unemployment rates over 9%, almost two full points above the national rate. In the week of January 26 of this year, 327,000 individuals across the country had exhausted all of their regular state unemployment compensation and were collecting FSC benefits. In my home state of Michigan, where unemployment has stubbornly refused to fall below 11%, 17,400 people currently depend on FSC payments. In the first week of February, 2,600 more individuals exhausted their state benefits and were forced to file for FSC. There is no doubt that endless unemployment benefits are not the solution to long-term joblessness, but it is also true that in states with very high unemployment rates, the simple fact is workers will need more time to find a job. Supplemental benefits provide that extra time.

The EB program, the front line defense for economically distressed states, has become all but defunct. Only two states are currently providing Extended Benefits, and of the six states with double digit unemployment, only one is paying EB. Through much of last year, no state had triggered on EB, despite persistently high unemployment in many areas. I believe the evidence is overwhelming that the EB Program in its present form does not, and can not, respond appropriately to periods of severe labor market distress.

For these reasons, I believe it is imperative for this committee and the Congress to devise a workable supplemental compensation program prior to the expiration of the FSC Program next month. I would encourage the committee to carefully consider the comprehensive reform legislation proposed by my colleague, Congressman Pease. One of the primary failures of the permanently authorized EB Program has been the all or nothing approach. The program makes no distinction between states that are just above the trigger measure as compared with states that are substantially higher. In addition, the 50% state share, regardless of a state's economic health, can have a perverse affect, draining a state's coffers when it is most susceptible. The legislation proposed by Mr. Pease provides a system of graded benefit weeks and a sliding state match, keyed to the amount of unemployment in a state. Another critical reform is the use of the Total Unemployment Rate as an alternative trigger measure. Such a program would be a sound, permanent enhancement of the fabric of the social safety net. Instead of allowing the only working supplemental benefit program to expire, we should take the opportunity of the current economic expansion to rationalize the system.

Mr. Chairman I am well aware of the difficulty in enacting a comprehensive reform package. If this is not possible, then the current FSC program should be amended to ensure that the states with the highest unemployment levels are eligible for the greatest number of weeks. This past month, the state of Michigan fell from 14 to 12 benefit weeks, even as the state's Total Unemployment Rate rose fourtenths of a percent to 11.0%. For this reason, together with Senator Carl Levin, I

will shortly introduce legislation to extend the FSC program for 2 years, until March 31, 1987.

This legislation would maintain the current benefit structure of 14, 12, 10 and 8 weeks. It would, however, make two major changes to the current program. First, the "anchor" date for the Long-term Insured Unemployment Rate (LIUR) would be moved forward one year to January 1, 1983. While the impact of this change is to lower the LIUR for most states, I believe it is justified if the program is to be extended for two additional years. Secondly, the bill would substitute a Total Unemployment Rate [TUR] trigger for the current 13-week Insured Unemployment Rate [IUR] trigger for the 11 largest states. This change is made for two reasons. First, the divergence of the TUR and the IUR in recent years has made this second number a less reliable measure of labor market distress, the concept that trigger numbers are designed to measure. Secondly, the TUR is at present statistically reliable for any given month in only the 11 largest states. Therefore the IUR/LIUR trigger of current law is maintained for the 39 smaller states.

The basis of this proposal is that supplemental benefits should be available if (1) a state's unemployment rate is very high or (2) a state has been suffering from high, if not acute, unemployment levels for an extended period of time and finally (3) a state's eligibility should be determined by the best available measure of labor market distress. The IUR, and where appropriate the TUR, provides a "snap-shot" picture of the current unemployment situation in a given state. The alternative measure, the LIUR, provides a longer perspective, with somewhat lower thresholds. Attached is a detailed summary of the proposed legislation. As drafted, the minimum number of weeks would be set at 8, as in current law. The committee might wish to consider lower benefit levels of 6, 4 or less for states with very low unemployment.

Mr. Chairman, in closing I would like to digress slightly from the matter at hand and encourage the committee to investigate ways to improve another part of our Unemployment Compensation System, Employment Services (ES). Nationally last year, the ES program received 7,507,893 requests for job applicants and filled 5,385,570 job openings. 956,104 people were given job counseling and 961,333 were tested for job skills and aptitudes. From my experience with the Job Service Program in Michigan, I am very aware of the vitally important function of ES. I am also aware that staffing for the ES program in Michigan and around the nation has fallen dramatically in recent years, and a number of ES offices have been forced to close their doors. In these times of fiscal restraint we must utilize every resource available to the utmost, before we create additional programs. I strongly believe that job information, placement, counseling and testing should be readily available to the unemployed. The ES Program is a functioning system of community based employment centers across the country, encompassing 2,400 offices and 22,700 trained professionals. Improvements to the ES Program could go a long way toward getting the unemployed back to work.

Thank you for your attention to my suggestions. I would be happy to answer any questions you may have at this time.

LEVIN FSC BILL

(1) Extends current FSC Program for 2 more years until March 31, 1987.

(2) Moves "anchor" date for current long-term Insured Unemployment Rate [LIUR] from Jan. 1, 1982 to Jan. 1, 1983.

(3) For the 11 largest States (CA, FL, IL, MA, MI, NJ, NY, NC, OH, PA, TX) for which seasonally adjusted monthly Total Unemployment Rate (TUR) data is available, the number of benefit weeks is determined by the higher of following two measures:

Long-term insured unemployment rate [LIUR]	Total unemployment rate [TUR]	Weeks of benefits
5.5 and above	10 and above	14
4.5 to 5.49	9.0 to 9.9	12
3.5 to 4.49	8.0 to 8.9	10
3.49 and below	7.9 and below	8

(4) For the remaining States, the number of weeks of benefits is determined by the higher of the following two measures:

Long-term insured unemployment rate [LIUR]	Insured unemployment rate [IUR]	Weeks of benefits
5.5 and above	6.0 and above	14
4.5 to 5.49	5.0 to 5.9	12
3.5 to 4.49	4.0 to 4.9	10
3.49 and below	3.9 and below	8

(5) For those individuals who are receiving FSC when the current program expires on March 31, 1985, if their States eligibility for a specific number of weeks is greater under the new authorization, they will receive the additional weeks of benefits. If their eligibility is less under the new authorization, they will be eligible for the lower number of weeks.

(6) Provisions relating to the frequency of changing a State's eligibility for a specific number of weeks is the same as current law.

Chairman FORD. Thank you very much Mr. Levin. And thank you for your testimony.

I wish there was some time left for a few questions, but I don't think so. It's 5 minutes until 11. The joint session will start promptly at 11 o'clock I understand. I will probably submit a couple of questions dealing with the substitute of IUR for TUR and looking for your explanation of the 11 States you've talked about. I'll get the staff to respond with questions to you.

Mr. LEVIN. I'd be glad to respond and also to participate. The staff in my office would like to help in any way that your most competent and able staff members would find useful. There's been some communication to date and we want to roll up our sleeves and work with you.

Chairman FORD. Once again, thank you for coming and appearing before the committee.

The subcommittee will stand in recess until 2 p.m. this afternoon.

[Whereupon, at 10:55 a.m. the subcommittee adjourned to reconvene at 2 p.m.]

AFTERNOON SESSION

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

We recessed this morning with the Secretary of the Department of Labor, who is at the witness table.

Mr. Secretary, if you would like, you agreed to a 2 o'clock time this afternoon. We are sorry we imposed upon your schedule, but thank you very much for coming by.

At this time the Chair will hear from you, Mr. Secretary.

STATEMENT OF PATRICK J. O'KEEFE, DEPUTY ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY JAMES VAN ERDEN, CHIEF ACTUARY, U.S. UNEMPLOYMENT INSURANCE SERVICE, AND CAROLYN GOLDING, DIRECTOR, U.S. UNEMPLOYMENT INSURANCE SERVICE

Mr. O'KEEFE. Mr. Chairman, it is always an honor to appear before you, and changing my schedule to accommodate you was a minor sacrifice, believe me.

I would like to submit for the record the formal statement that we sent forward and just make four general points so that we can open up the discussion to the questions that I think you have to address to us.

I am accompanied today by Carolyn Golding, Director, U.S. Unemployment Insurance Service, on my right; and James Van Erden, Supervisory Actuary, U.S. Unemployment Insurance Service, on my left, both of whom are with the Unemployment Insurance Service and will join with me in trying to address your questions.

Mr. Chairman, in the 3 days of hearings, the committee will certainly obtain considerable data on the problems of the long-term unemployed and proposals to address their needs. And considering this body of information, we cannot lose sight of the fact that the basic unemployment compensation system is sound and is meeting its responsibilities successfully. This self-financed system, established under Federal and State laws, is intended to provide partial income maintenance during periods of involuntary unemployment. We estimate that, in fiscal year 1985, about 8.1 million individuals will draw approximately $15 billion in benefits. The system's solvency has also improved. Outstanding loans are projected to drop to $4.6 billion at the end of fiscal 1986, down from $13.8 billion in 1983. These numbers attest to the basic soundness of the system.

Second, the system's automatic countercyclical program of extended benefits is substantially stronger today than 4 years ago.

A recently completed evaluation of the revised EB Program concluded that the reforms adopted by the administration and Congress over the past 4 years achieved their primary goals by focusing the program more tightly on areas and time periods when labor markets are weakest. I would like to submit for the record the executive summary of this study by Corson and Nicholson.

[The document follows:]

Contract No: 20-34-82-14

Authors: Walter Corson
Walter Nicholson

FINAL REPORT

AN ANALYSIS OF THE 1981-82 CHANGES IN THE EXTENDED BENEFIT PROGRAM

March 1984

Prepared for:

Office of Research and Evaluation
Office of Strategic Planning and Policy Development
Employment and Training Administration
U.S. Department of Labor

Prepared by:

Mathematica Policy Research, Inc.
P.O. Box 2393
Princeton, New Jersey 08540

REPORT DOCUMENTATION PAGE	1. REPORT NO.	2.	3. Recipient's Accession No.
4. Title and Subtitle: Final Report: An Analysis of the 1981-82 Changes in the Extended Benefit Program			5. Report Date: March, 1984 6.
7. Author(s): Walter Corson and Walter Nicholson			8. Performing Organization Rept. No.
9. Performing Organization Name and Address: Mathematica Policy Research P.O. Box 2393 Princeton, New Jersey 08540			10. Project/Task/Work Unit No. 11. Contract(C) or Grant(G) No. (C) 20-34-82-14 (G)
12. Sponsoring Organization Name and Address: U. S. Department of Labor Employment and Training Administration Office of Research and Evaluation 601 D Street, N. W., Washington, D. C. 20213			13. Type of Report & Period Covered: Final 14.

15. Supplementary Notes

16. Abstract (Limit: 200 words)

In the early 1980s, several changes were made in the Extended Benefit (EB) portion of the Unemployment Compensation system to reduce benefits under this program and to concentrate EB benefits in areas and time periods when unemployment rates were highest. Additional changes were also made to restrict individual's eligibility. This report investigates the effects that these recent changes have had on EB program caseloads and costs and on the targeting of EB resources. The analysis uses both quarterly aggregate data on each state and individual claimant data from 12 states, and a simulation model that predicts EB caseloads and costs is constructed to examine the impact of the programmatic changes.

Our general conclusion is that the recent EB changes had the effect of significantly reducing the overall size of the program, with reductions as large as 70 percent during periods of relatively strong labor market activity. The effects during periods of weak labor markets were smaller, but still substantial. Hence, it is clear that the recent changes achieved their primary goals of reducing total expenditures and focusing the program more tightly in areas and time periods where labor markets are weakest. Whether the overall level of benefits is adequate is also addressed, but the evidence on this issue remains ambiguous.

17. Document Analysis a. Descriptors

Economic forecasting, economic models, unemployment, statistical analysis

b. Identifiers/Open-Ended Terms

Unemployment insurance, Extended benefits

c. COSATI Field/Group: SA, 5C

18. Availability Statement: Distribution is unlimited. Available from the National Technical Information Service, Springfield, VA 22151	19. Security Class (This Report): UNCLASSIFIED	21. No. of Pages: 122
	20. Security Class (This Page): UNCLASSIFIED	22. Price

(See ANSI-Z39.18) See Instructions on Reverse OPTIONAL FORM 272 (4-77) (Formerly NTIS-35) Department of Commerce

Executive Summary

In 1970 Congress enacted the Extended Unemployment Compensation Act which provided for the payment of additional unemployment benefits during periods when Insured Unemployment Rates (IURs) exceed specific trigger levels. Since then the extended benefits (EB) program has provided a "first line of defense" to workers threatened with lengthening unemployment durations during recessionary downturns. Altnough some changes were made in the EB program throughout the 1970's, it was not until the early 1980's that a substantial number of major modifications were undertaken. First, the Omnibus Budget Reconciliation Act of 1981 (PL 97-35) instituted several changes in EB triggering formuals, all of which made it more difficult for states to become and remain eligible for the program. Specifically, these trigger changes included: (1) elimination of the national trigger (now only states with the required IUR are eligible for EB); (2) elimination of EB claimants from IUR trigger calculations, thereby mitigation situations where triggering on EB would help to insure the program's continuing in effect; and (3) raising the state EB trigger rate from 4 to 5 percent (or to 6 percent if the requirement that the IUR also exceed 120 percent of the corresponding average IUR in the prior two years is waived). The general goal of all of these changes was to concentrate EB payments in areas and time periods when unemployment rates were highest and to avoid paying EB in relatively strong labor markets.

A second set of changes introduced into the EB program in the early 1980's had the effect of restricting individuals' eligibility for the program. The Omnibus Budget Reconciliation Act of 1980 (PL 96-799) added new "suitable work" provisions to EB that closely paralleled those which had been instituted as part of the Federal Supplemental Benefits (FSB) program of the mid-1970's. These statutory changes required that EB recipients accept jobs that pay an amount equal to either the minimum wage or to their UI benefit, whichever is higher. The new law was somewhat more stringent than existing state laws which often defined "suitable work" in terms of recipients' prior employment history. The EB work test was further tightened by requiring recipients to provide "tangible evidence" of job search activity for continuing eligibility and by making disqualification penalties somewhat more severe. Finally, additional qualifying requirements for EB (requiring the equivalent of 20 weeks of full time work in the base period), were instituted as part of PL 97-35, thereby creating a further divergence between some state UI and EB eligibility provisions. The intent of all of this "tightening-up" of EB was to focus the program even further on workers who have a substantial employment history and who demonstrate clearly that they are actively seeking work.

In this report we investigate the effects that these recent changes have had on the EB program. Not only do we provide quantitative estimates of the degree to which EB claims and costs were reduced below what they would have been in the absence of the changes, but we also offer a number of related analyses that examine whether the program changes seem to have met their intended goals in the way they retargeted EB resources. Our general conclusion is that the recent EB changes had the effect of significantly reducing the size of the program, especially during periods of relatively modest unemployment rates. Changes in EB trigger provisions were primarily responsible for this reduction, with modifications in the EB work test and in the EB eligibility rules having much smaller, though still significant effects. All of the changes seem to have had the intended effect of focusing EB benefits more directly on geographic areas and time periods with high unemployment rates and on workers most firmly attached to the labor force. Whether such changes were "too large" in that too many "deserving" workers were eliminated from the EB program and how the changes interact with other federal extended benefit initiatives (e.g., FSC in the most recent recession) is difficult to judge, given both the limitations on our data and the necessary ambiguities involved in answering these questions.

RESEARCH DESIGN

The research design we used to examine recent changes in the EB program had three basic elements. First and most importantly we used quarterly aggregate data on each state's UI system characteristics for the period 1964-1981 to develop a detailed simulation model of EB program operations. Key links in this model were developed in two ways. Behavioral reactions to the EB changes were estimated using standard econometric techniques. On the other hand, definitional links in the model (such as those involving EB triggering) were programmed in a way so as to reflect actual program operations as closely as possible. In its most complete form the only input required for the simulation model is the national unemployment rate—all

other state-level predictions are developed internally to the model. In this way the simulation model can easily be integrated with more general macroeconomic models that provide estimates of overall unemployment.

A second part of our research design involved the use of individual data on 7,600 UI recipients in 12 states from the CWBH data system. These data served two general purposes. First, they provided the opportunity to estimate behavioral effects of the EB program changes using a somewhat different approach than that employed with the aggregate data. Hence, the individual data provided a check on our aggregate results. Second, we used the individual data to examine the impact of the new EB eligibility rules since they permitted us to investigate that impact in more detail than would have been possible using only aggregate data.

As a final approach to examining the recent EB program changes, we conducted site visits to six states. There we interviewed state and local UI administrators about the impact that the tightened work test and qualifying wage restrictions for EB had on their operations. Because of the small number of states visited and because the states were chosen primarily in connection with another project, the results of this examination should be regarded as mainly illustrative and may not be representative of all states' administrative experiences under the new EB procedures.

SUMMARY OF RESULTS

Our summary of results follows the order of presentation of the four analytical chapters in this report. In Chapter III we describe the results of our econometric examination of EB effects using aggregate data. The principal findings were:

As has been found in prior research, exhaustion rates for regular UI are significantly affected by EB availability. Other things being equal UI exhaustion rates were about 4 percentage points higher when EB was in effect than when it was not. Availability of benefits beyond EB (such as those provided by FSB or FSC) tended to increase exhaustion rates by an additional 3 percentage points.

The fraction of UI exhaustees who collected an EB first payment (a figure which averaged 0.92) was significantly affected by economic variables and UI policy parameters. Specifically, availability of benefits beyond EB raised the fraction by about 3 percentage points whereas our aggregate estimates suggested that implementation of the new EB work test may have reduced it by as much as 10 percentage points.

Our empirical results for EB exhaustion rates (which averaged 0.66 in the aggregate data) closely paralleled those for regular UI exhaustion rates. Most importantly, high wage replacement ratios and availability of benefits beyond EB tended to raise EB exhaustion rates, whereas enforcement of the UI work test (as measured by disqualifications for refusals of suitable work) tended to reduce EB exhaustion rates.

In Chapter IV we present our results of analyzing individual UI claimants' data from the CWBH files. The primary findings from this examination were:

In many ways the individual results mirrored those from the aggregate data. Availability of benefits beyond EB was found to increase the fraction of UI exhaustees who collect an EB first payment and the fraction of EB recipients who exhaust their entitlements. The change in the EB work test was also found to have reduced the fraction of UI exhaustees who collect EB, but the magnitude of this effect (about 6 percentage points) was somewhat smaller than estimated in the aggregate data. In addition, the change in the EB work test was found to have reduced EB exhaustion rates, a result not found in the aggregate estimate.

Availability of the individual data permitted us to examine directly the determinants of the number of weeks of EB collected (which averaged 7.4 weeks in our sample). We found that availability of benefits beyond EB increased such weeks substantially (by about 4 weeks) whereas the change in the EB work test reduced these weeks (by about 1.5 weeks).

The change in the EB work test seems to have increased use of the employment service by EB recipients. Our data (which, unfortunately, were only available for three states) suggested that the likelihood of ES registration increased slightly following the change in the work test and job referrals to EB recipients increased rather sharply following the change. The likelihood of job placements, however, did not increase in the states we examined.

Our examination of the new EB qualifying wage provisions suggested that overall relatively few (approximately 5 percent) of UI exhaustees were barred from EB eligibility by the changes. But the fraction of ineligible claimants varied widely from state-to-state depending on precisely how existing state laws corresponded to the new EB provisions.

Chapter V briefly describes the results of our analyses of states' administrative operations following the EB policy changes. Our major findings were:

The new "suitable work" provisions required for continuing EB eligibility tended to be more stringent than prior practices in the majority of the states we visited. For those states the notion that the suitable wage might be adjusted downward as unemployment durations lengthen represented a major innovation in policy.

The requirement that EB recipients provide "tangible evidence" of their job search efforts also represented a major policy change for some states. This provision was reflected in increased job search reporting requirements and additional eligibility reviews for EB recipients.

The states generally reported that implementing the new EB provisions required relatively few-additional administrative resources. For some states, there was an indication that some modest resource shifts had occurred between administration of eligibility reviews to regular UI and EB recipients and that implementation of the new qualifying wage standards required some extra computer programming. For the most part, however, these resource shifts appear to have been modest.

Finally, Chapter VI presents a comprehensive analysis of the EB program changes using our simulation model. The primary findings derived from using the model were:

Our detailed examination of the validity of the simulation model suggested that it was relatively accurate in predicting EB caseloads and costs on the basis of the national unemployment rate. It was significantly more accurate than the aggregate regression forecasting techniques we examined, and it provided substantially more information than did these forecasting techniques. Because of its quarterly structure the model did have some difficulty in predicting the precise timing of EB effects—especially those related to triggering. But, overall we have sustantial confidence that the model accurately predicts the long run effects of EB program changes.

The simulation model suggested that if the EB changes had been in effect during 1978–81 (a period of relatively strong labor market activity) the size of the EB program would have been reducted substantially. Most importantly the trigger changes introduced in PL 97–35 would have reduced EB first payments by more than two-thirds had they applied to 1978–81. Changes in the EB work test would have reduced EB first payments by about 6–7 percent during the period whereas the changed EB eligibility rules would have reduced EB first payments by 5 percent.

The simulation model suggested that the EB program changes has a smaller, though still quite significant impact during the higher unemployment period of 1982.4–1983.3. During that period we estimated that the EB program changes reduced EB first payments by about 24 percent relative to what they would have been had the program remained unchanged. Approximately 60 percent of that decline was attributed to the trigger changes, whereas the remainder resulted from the work test and eligibility modifications.

Actual EB first payments during 1982.4–1983.3 fell far short of what was predicted by our model or by other methods that used the historical relationship between EB and the overall unemployment rate. In total we estimate that EB first payments were 55 percent below what might have been expected on the basis of historical experience. Our simulation model suggested that less than half of this decline could be attributable to the recent EB policy changes. The remainder primarily reflected the changing relationship between the total and insured unemployment rate that has been noted by many observers and (possibly) other factors that were unique to the 1982-83 recession.

Our simulation of several hypothesized recessions suggested that the recent EB program changes (especially those related to triggering) had the effect of sharply reducing the size of the EB program during mild recessions. Even during relatively severe recessions the changes had the effect of focusing the EB program on the recessions' low points while cutting back significantly on benefits paid early in the recession and later during the recovery period.

AN OVERALL EVALUATION

Our general conclusion then is that the recent changes in the EB program had the effect of significantly reducing its overall size. The simulation results reported here suggested that, during periods of relatively strong labor market activity the reduction in EB caseloads may have been as large as 70 percent. Because most of that reduction came from changes in the EB trigger mechanism, effects during periods of weak labor markets were smaller, but still substantial. Hence, it is clear that the recent changes achieved their primary goals of reducing total EB expenditures

and focusing the program more tightly in area and time periods where labor markets are weakest.

Did the EB cutbacks go "to far?" In order to address that issue one must clearly specify criteria by which the overall adequacy of EB is to be judged. A principal rationale for paying extended benefits during recessions is to provide the same degree of protection enjoyed by regular UI recipients during normal times. Since the risk of experiencing a long spell of unemployment increases during recessions, it might be argued that the protection provided during such recessionary periods should also increase. For example, our study of the 1975–76 recession concluded that the EB program alone would have been sufficient to keep the total exhaustion rate for UI from rising during the period and that payment of FSB essentially amounted to overinsurance against the weak labor market of those years (Corson and Nicholson, 1982).

If the 1982–83 recession were, in this regard, similar to the 1975–76 recession, perhaps an unchanged EB program would also have been sufficient. Compared to 1975–76, the relatively modest temporary extended benefit program (FSC) implemented during 1982–83 suggests that policymakers may have indeed believed that to be the case. Even with the recent EB cutbacks, we found little evidence that total UI exhaustion rates rose rapidly during the 1982–83 recession. So, by that test at least, the recent changes may not have been too severe.

However, this sanguine conclusion may rely too heavily on the exhaustion rate as a measure of UI adequacy. One reason overall exhaustion rates were not increased substantially by the EB cutbacks is that some of these changes had the effect of eliminating many UI claimants before they ever reached EB exhaustion. That fact, combined with the more general decline in UI eligibility of the unemployed during the 1982–83 recession resulted in a very large shortfall in EB program caseloads and costs over what might have been anticipated, given the weakness in the labor market. But, relatively little is known about the characteristics of those individuals who did not collect EB (or, indeed, regular UI) during the recent recession. So, the welfare consequences of the reduced eligibility of the unemployed remain ambiguous.

Mr. O'KEEFE. Its results argue, in my view strongly argue that the EB Program, as currently designed, is an effective policy instrument.

Third, as the result of the strongest economic recovery in 30 years, employment has reached record levels—over 106 million Americans are working—while unemployment has been reduced substantially. With propsects for continued steady growth, we no longer need temporary, recession-related programs such as Federal Supplemental Compensation.

Fourth, while recognizing that the basic unemployment compensation system is sound, we cannot ignore the fact that our economy continues to change and, as a result, some workers are displaced from their jobs. For many, the dislocation is temporary, as is demonstrated in a recently concluded analysis by the BLS, a copy of which I would like to submit for the record.

[The document follows:]

BLS REPORTS ON DISPLACED WORKERS

The Bureau of Labor Statistics of the U.S. Department of Labor has completed a special study of workers whose jobs were abolished or plants shut down between January 1979 and January 1984.

The study shows that of 5.1 million workers who had been at their jobs at least 3 years before they were displaced, 60 percent (3.1 million) were reemployed when surveyed in January 1984, though many at lower pay; about 25 percent (1.3 million) were looking for work and the rest (700,000) had left the labor force.

Among the displaced workers who were reemployed, about 360,000 who had previously been in full-time wage and salary jobs were in part-time jobs when surveyed. Among those who were once again in full-time jobs—and reported earnings for both the old and new jobs—about 45 percent were earning less in the new job than in the one they had lost.

A displaced worker, as defined in this study, is one who (1) lost a job between January 1979 and January 1984, (2) had worked at least three years in that job, and (3) lost it because of the closing down or moving of a plant or company, slack work, or the abolishment of a position or shift.

The survey on which this study is based was sponsored by the Employment and Training Administration and was conducted as a supplement to the January 1984 Current Population Survey. (For a description of the supplement, see the explanatory note on page 4.) Altogether, a total of 11.5 million workers 20 years of age and over were identified in this survey as having lost jobs during the January 1979-January 1984 period because of one of the three factors listed above. However, a large number of these workers had been at their jobs only a relatively short period when the loss occurred, with 4.4 million reporting one year or less of tenure on the lost job. To focus on workers who had developed a relatively firm attachment to the jobs they lost, only those with a minimum of 3 years of tenure are included in this analysis, and the data presented in tables 1 through 7 relate only to these 5.1 million workers.

EMPLOYMENT STATUS IN JANUARY 1984

The chance of reemployment for these displaced workers declined significantly with age. While the overall proportion who were employed in January 1984 was 60 percent, this varied from 70 percent for those 20 to 24 years of age to 41 percent for those 55 to 64 years of age. Those 65 years and over often retire when they lose a job, so the proportion in this age group who were employed in January 1984 was only 21 percent. (See table 1.)

Over one-fourth of the displaced workers 55 to 64 years of age and as many as two-thirds of those 65 years and over were out of the labor force—that is, were neither employed nor unemployed—when studied. Women in general were somewhat less likely than men to be reemployed and more likely to have left the labor forced.

Of the 5.1 million workers who had lost a job over the previous 5 years, about 1.3 million, or one-fourth, were unemployed when surveyed in January 1984. The proportion unemployed was about 23 percent among whites, 41 percent among blacks, and 34 percent among Hispanics.

REASONS FOR DISPLACEMENT

Almost one-half (49.0 percent) of the 5.1 million workers reported they had lost their jobs because their plant or company had closed down or moved. Another two-fifths (38.7 percent) cited "slack work" as the reason. The balance (12.4 percent) reported that their position or shift had been abolished. (See table 2.) The older the worker, the more likely was the job loss to stem from plant closings. Younger workers, having generally less seniority, were about as likely to have lost their jobs due to slack work as due to plant closings.

YEARS WORKED ON LOST JOB

Many of the 5.1 million displaced workers had been in their jobs for relatively long periods. Nearly one-third (30.2 percent) had been displaced from jobs on which they had worked 10 years or more. Another third (33.6 percent) had been on their jobs from 5 to 9 years. The remainder had lost jobs at which they had worked either 3 or 4 years. The median tenure on the lost jobs for the entire 5.1 million workers was 6.1 years. Not surprisingly, the length of tenure tended to increase with the age of the displaced workers. For example, median tenure for those 55 to 64 had been 12.4 years. (See table 3.)

INDUSTRY AND OCCUPATION

Nearly 2.5 million, or almost one half of the workers in question, had been displaced from jobs in the manufacturing sector, principally in durable goods industries. (See table 4.) About 220,000 had worked in primary metals, 400,000 in machinery, except electrical, and 350,000 in the transportation equipment industry, with autos accounting for 225,000.

Of the workers who had lost jobs in the primary metals industry, less than half (45.7 percent) were employed in January 1984, and nearly two-fifths (38.7 percent) were still reported as unemployed. Of those who had lost jobs in the nonelectrical machinery industry of the transportation equipment industry, the proportion employed in January 1984 was over 60 percent.

From an occupational standpoint, operators, fabricators, and laborers figured most prominently among the workers who had been displaced from jobs. (See table

5.) In general, the higher the skill of the displaced workers, the more likely they were to be reemployed when surveyed. For example, among those who had been displaced from managerial and professional jobs, the proportion reemployed was about 75 percent. In contrast, among whose who had lost jobs as handlers, equipment cleaners, helpers, and laborers, less than one-half were reemployed.

GEOGRAPHIC DISTRIBUTION

Relatively large numbers of the workers who had been displaced from their jobs resided in the East North Central (1.2 million) and the Middle Atlantic (800,000) areas. (See table 6 for definitions of these areas.) This reflects in part the concentration of heavy industries in these two areas and the employment losses which these industries incurred in recent years. As shown in table 6, the workers who had been displaced in these two areas were less likely than those in other areas to be reemployed when surveyed in January 1984. Whereas the nationwide proportion who were reemployed was three-fifths, it was only about one-half in these two areas. The East North Central area had nearly one-third of all the displaced workers who were unemployed in January 1984—400,000 out of a national total of 1.3 million—and nearly one-half of those in the East North Central area had been unemployed for more than 6 months.

EARNINGS ON NEW JOB

Of the 3.1 million displaced workers who were again employed in January 1984, a little over 2.8 million had previously held full-time wage and salary jobs. Of these, nearly 2.3 million, were once again working in full-time wage and salary jobs when surveyed. Earnings data for about 2 million of these workers were obtained both for the old and new jobs.

About 1.1 million (55 percent) of these 2 million workers reported weekly earnings from their new jobs that were equal to or higher than the earnings on the jobs they had lost, with 500,000 reporting that their earnings exceeded those on their previous jobs by 20 percent or more. On the other hand, about 900,000 (45 percent) reported earnings that were lower than those on the jobs they had lost, with about 600,000 having taken cuts of 20 percent or more. (See table 7.)

Workers who had been displaced from jobs in durable goods manufacturing were somewhat more likely than other workers to be earning less on the jobs they held in Janaury 1984 than in those they had lost. About 40 percent of those who were in new full-time wage and salary jobs when surveyed in January 1984 reported weekly earnings of 20 percent or more below those on the jobs they had lost.

EXPLANATORY NOTE

The data presented in this report were obtained through a special survey conducted in January 1984 as a supplement to the Current Population Survey, the monthly survey which provides the basic data on employment and unemployment for the Nation. The purpose of this supplementary survey was to obtain information on the number and characteristics of workers 20 year of age and over who had been displaced from their jobs over the previous 5 years, that is, over the period from January 1979 to January 1984. This is the period during which the economy went through two back-to-back recessions and the levels of employment in some industries, particularly the goods-producing sector, were reduced considerably.

In order to identify workers who had been displaced from jobs, the survey respondents were first asked whether the household member had lost a job during the period in question "because of a plant closing, an employer going out of business, a layoff from which (he/she) was not recalled, or other similar reasons." If the answer to this question was "yes", the respondent was asked to identify, among the following reasons, the one which best fit the reason for the job loss: Plant or company closed down or moved; plant or company was operating but job was lost because of: Slack work; position or shift was abolished; seasonal job was completed; self-employment business failed; and other reasons.

After ascertaining the reason for the job loss, a series of questions were asked about the nature of the lost job—including the year it was lost, the years of tenure, the earnings, and the availability of health insurance. Other questions were asked to determine what transpired after the job loss such as: How long did the person go without work, did he or she receive unemployment insurance benefits, were the benefits exhausted, and, finally, did the person move after the job loss. If the person was reemployed at the time of the interview, follow-up questions were asked to determine the current earnings. And, regardless of the employment status at the time

of the interview, a question was asked of all those who had been reported as having lost a job to determine whether they currently had any health insurance coverage.

As noted earlier, in tabulating the data from this survey the only workers considered to have been displaced from their jobs were those who reported job losses arising from: (1) the closing down or moving of a plant or company, (2) slack work, or (3) the abolishment of their position or shift. This means that workers whose job losses stemmed from the completion of seasonal work, the failure of self-employment businesses, or other miscellaneous reasons were not included among those deemed to have been displaced. A further condition for inclusion among the displaced workers for the purpose of this study was tenure of at least 3 years on the lost job.

In examining the displaced workers who were unemployed in January 1984, it is important to note that not all were continually unemployed since the job loss they reported. Many, particularly those who reported job losses which occurred in 1979 or the very early 1980's, may subsequently have held other jobs, only to find themselves unemployed once again in January 1984.

More detailed analysis of the data from this supplement, including topics not covered in this release, will be forthcoming.

TABLE 1.—EMPLOYMENT STATUS OF DISPLACED WORKERS BY AGE, SEX, RACE, AND HISPANIC ORIGIN, JANUARY 1984

Age, sex, race, and Hispanic origin	Total [1] (thousands)	Percent			
		Total	Employed	Unemployed	Not in the labor force
TOTAL					
Total, 20 years and over	5,091	100.0	60.1	25.5	14.4
20 to 24 years	342	100.0	70.4	20.2	9.4
25 to 54 years	3,809	100.0	64.9	25.4	9.6
55 to 64 years	748	100.0	40.8	31.8	27.4
65 years and over	191	100.0	20.8	12.1	67.1
MEN					
Total, 20 years and over	3,328	100.0	63.6	27.1	9.2
20 to 24 years	204	100.0	72.2	21.7	6.1
25 to 54 years	2,570	100.0	68.2	26.8	5.0
55 to 64 years	461	100.0	43.6	34.1	22.3
65 years and over	92	100.0	16.8	12.9	70.3
WOMEN					
Total, 20 years and over	1,763	100.0	53.4	22.5	24.2
20 to 24 years	138	100.0	67.8	18.0	14.2
25 to 54 years	1,239	100.0	58.0	22.6	19.4
55 to 64 years	287	100.0	36.3	28.0	35.7
65 years and over	99	100.0	24.6	11.3	64.1
WHITE					
Total, 20 years and over	4,397	100.0	62.6	23.4	13.9
Men	2,913	100.0	66.1	25.1	8.8
Women	1,484	100.0	55.8	20.2	24.1
BLACK					
Total, 20 years and over	602	100.0	41.8	41.0	17.1
Men	358	100.0	43.9	44.7	11.4
Women	244	100.0	38.8	35.6	25.6
HISPANIC ORIGIN					
Total, 20 years and over	282	100.0	52.2	33.7	14.1
Men	189	100.0	55.2	35.5	9.3
Women	93	100.0	46.3	30.0	23.6

[1] Data refer to persons with tenure of three or more years who lost or left a job between January 1979 and January 1984 because of plant closings or moves, slack work, or the abolishment of their position or shifts.

Note: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

TABLE 2.—WORKERS WHO WERE DISPLACED FROM JOBS BETWEEN JANUARY 1979 AND JANUARY 1984 BY AGE, SEX, RACE, HISPANIC ORIGIN, AND REASON FOR JOB LOSS

Age, sex, race, and Hispanic origin	Total [1] (thousands)	Percent			
		Total	Plant or company closed down or moved	Slack work	Position or shift abolished
TOTAL					
Total, 20 years and over	5,091	100.0	49.0	38.7	12.4
20 to 24 years	342	100.0	47.1	47.1	5.8
25 to 54 years	3,809	100.0	46.3	41.0	12.7
55 to 64 years	748	100.0	57.8	28.2	14.0
65 years and over	191	100.0	70.8	18.1	11.1
MEN					
Total, 20 years and over	3,328	100.0	46.0	42.9	11.1
20 to 24 years	204	100.0	39.5	59.6	.9
25 to 54 years	2,570	100.0	43.9	44.8	11.3
55 to 64 years	461	100.0	55.6	30.5	14.0
65 years and over	92	100.0	68.7	15.7	15.5
WOMEN					
Total, 20 years and over	1,763	100.0	54.6	30.8	14.6
20 to 24 years	138	100.0	58.3	28.7	12.9
25 to 54 years	1,239	100.0	51.1	33.3	15.6
55 to 64 years	287	100.0	61.4	24.5	14.1
65 years and over	99	100.0	72.8	20.3	6.9
WHITE					
Total, 20 years and over	4,397	100.0	49.6	37.9	12.5
Men	2,913	100.0	46.0	42.6	11.4
Women	1,484	100.0	56.7	28.7	14.6
BLACK					
Total, 20 years and over	602	100.0	43.8	44.7	11.6
Men	358	100.0	44.9	46.4	8.8
Women	244	100.0	42.2	42.2	15.7
HISPANIC ORIGIN					
Total, 20 years and over	282	100.0	47.4	45.2	7.3
Men	189	100.0	48.1	43.8	8.1
Women	93	100.0	46.2	48.1	5.7

[1] Data refer to persons with tenure of three or more years who lost or left a job between January 1979 and January 1984 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

Note: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

TABLE 3.—WORKERS WHO WERE DISPLACED FROM JOBS BETWEEN JANUARY 1979 AND JANUARY 1984 BY AGE, SEX, RACE, HISPANIC ORIGIN, AND TENURE WHEN JOB ENDED

Age, sex, race, and Hispanic origin	Total [1] (thousands)	Percent						
		Total	3 to 4 years	5 to 9 years	10 to 14 years	15 to 19 years	20 or more years	Median years on lost job
TOTAL								
Total, 20 years and over	5,091	100.0	36.2	33.6	14.7	6.7	8.8	6.1
25 years and over	4,749	100.0	33.5	34.5	15.5	7.1	9.4	6.5
25 to 54 years	3,809	100.0	37.9	36.9	14.5	5.9	4.7	5.8

TABLE 3.—WORKERS WHO WERE DISPLACED FROM JOBS BETWEEN JANUARY 1979 AND JANUARY 1984 BY AGE, SEX, RACE, HISPANIC ORIGIN, AND TENURE WHEN JOB ENDED—Continued

Age, sex, race, and Hispanic origin	Total [1] (thousands)	Percent						
		Total	3 to 4 years	5 to 9 years	10 to 14 years	15 to 19 years	20 or more years	Median years on lost job
55 to 64 years	748	100.0	15.5	23.2	21.2	12.2	27.9	12.4
65 years and over	191	100.0	14.6	31.1	12.3	11.9	30.0	11.9
MEN								
Total, 20 years and over	3,328	100.0	34.6	32.6	15.8	7.4	10.6	6.6
25 years and over	3,123	100.0	31.8	32.6	16.5	7.8	11.3	7.0
25 to 54 years	2,570	100.0	35.8	35.2	16.2	6.7	6.1	6.2
55 to 64 years	461	100.0	12.9	19.5	19.0	13.0	35.5	14.4
65 years and over	92	100.0	14.3	25.0	12.1	12.8	35.8	14.3
WOMEN								
Total, 20 years and over	1,763	100.0	39.4	37.4	12.6	5.3	5.3	5.7
25 years and over	1,625	100.0	36.7	38.2	13.6	5.8	5.7	5.9
25 to 54 years	1,239	100.0	42.4	40.4	11.1	4.2	1.9	5.5
55 to 64 years	287	100.0	19.7	29.1	24.7	11.0	15.5	10.2
65 years and over	99	100.0	14.9	36.9	12.5	11.0	24.7	9.8
WHITE								
Total, 20 years and over	4,397	100.0	36.3	33.5	14.8	6.5	8.9	6.1
Men	2,913	100.0	34.7	31.8	15.8	7.2	10.6	6.5
Women	1,484	100.0	39.3	36.9	12.9	5.2	5.7	5.7
BLACK								
Total, 20 years and over	602	100.0	36.6	34.4	14.0	7.2	7.8	6.1
Men	358	100.0	33.8	30.2	16.8	8.2	10.9	7.0
Women	244	100.0	40.7	40.4	9.8	5.8	3.3	5.5
HISPANIC ORIGIN								
Total, 20 years and over	282	100.0	37.9	32.4	13.9	6.2	9.7	5.9
Men	189	100.0	32.6	30.5	18.7	7.0	11.2	7.0
Women	93	100.0	48.5	36.4	4.0	4.3	6.7	5.1

[1] Data refer to persons with tenure of three or more years who lost or left a job between January 1979 and January 1984 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.

Note: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

TABLE 4.—EMPLOYMENT STATUS OF DISPLACED WORKERS BY INDUSTRY AND CLASS OF WORKER OF LOST JOB, JANUARY 1984

Industry and class of worker of lost job	Total [1] (thousand)	Percent			
		Total	Employed	Unemployed	Not in the labor force
Total, 20 years and over [2]	5,091	100.0	60.1	25.5	14.4
Nonagricultural private wage and salary workers	4,700	100.0	59.8	25.8	14.4
Mining	150	100.0	60.4	31.0	8.6
Construction	401	100.0	55.0	30.7	14.3
Manufacturing	2,483	100.0	58.5	27.4	14.1
Durable goods	1,675	100.0	58.2	28.9	12.9
Lumber and wood products	81	100.0	67.9	19.1	13.0
Furniture and fixtures	65	100.0	(3)	(3)	(3)
Stone, clay, and glass products	75	100.0	47.5	30.5	22.0

TABLE 4.—EMPLOYMENT STATUS OF DISPLACED WORKERS BY INDUSTRY AND CLASS OF WORKER OF LOST JOB, JANUARY 1984—Continued

Industry and class of worker of lost job	Total [1] (thousand)	Percent			
		Total	Employed	Unemployed	Not in the labor force
Primary metal industries	219	100.0	45.7	38.7	15.6
Fabricated metal products	173	100.0	62.0	32.2	5.8
Machinery, except electrical	396	100.0	62.3	27.4	10.3
Electrical machinery	195	100.0	48.2	34.5	17.3
Transportation equipment	354	100.0	62.6	26.0	11.4
Automobiles	224	100.0	62.9	24.0	13.1
Other transportation equipment	130	100.0	62.1	29.4	8.5
Professional and photographic equipment	54	100.0	(3)	(3)	(3)
Other durable goods industries	62	100.0	(3)	(3)	(3)
Nondurable goods	808	100.0	59.1	24.2	16.7
Food and kindred products	175	100.0	52.5	32.6	15.0
Textile mill products	80	100.0	59.8	26.2	13.9
Apparel and other finished textile products	132	100.0	63.0	14.2	22.8
Paper and allied products	60	100.0	(3)	(3)	(3)
Printing and publishing	103	100.0	58.0	22.9	19.1
Chemical and allied products	110	100.0	64.0	27.3	8.7
Rubber and miscellaneous plastics products	100	100.0	62.8	18.3	18.8
Other nondurable goods industries	49	100.0	(3)	(3)	(3)
Transportation and public utilities	336	100.0	57.9	26.8	15.3
Transportation	280	100.0	58.8	30.5	10.7
Communication and other public utilities	56	100.0	(3)	(3)	(3)
Wholesale and retail trade	732	100.0	61.4	21.6	16.9
Wholesale trade	234	100.0	69.6	22.0	8.4
Retail trade	498	100.0	57.6	21.5	20.9
Finance, insurance, and real estate	93	100.0	78.5	12.4	9.1
Services	506	100.0	65.0	20.5	14.5
Professional services	187	100.0	64.0	19.8	16.1
Other service industries	318	100.0	65.6	20.9	13.5
Agricultural wage and salary workers	100	100.0	69.9	22.9	7.2
Government workers	248	100.0	63.3	18.7	18.0
Self-employed and unpaid family workers	25	100.0	(3)	(3)	(3)

[1] Data refer to persons with tenure of three or more years who lost or left a job between January 1979 and January 1984 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.
[2] Total includes a small number who did not report industry or class of worker.
[3] Data not shown where base is less than 75,000.

TABLE 5.—EMPLOYMENT STATUS OF DISPLACED WORKERS BY OCCUPATION OF LOST JOB, JANUARY 1984

Occupation of lost job	Total [1] (thousands)	Percent			
		Total	Employed	Unemployed	Not in the labor force
Total, 20 years and over [2]	5,091	100.0	60.1	25.5	14.4
Managerial and professional specialty	703	100.0	74.7	16.6	8.8
Executive, administrative, and managerial	444	100.0	75.7	15.6	8.7
Professional specialty	260	100.0	72.9	18.2	8.9
Technical, sales, and administrative *ERR97*support	1,162	100.0	60.6	21.1	18.3
Technicians and related support	122	100.0	67.9	25.3	6.8
Sales occupations	468	100.0	66.7	14.6	18.7
Administrative support, including clerical	572	100.0	54.1	25.5	20.5
Service occupations	275	100.0	51.0	24.1	24.9
Protective service	32	100.0	(3)	(3)	(3)
Service, except private household and protective	243	100.0	53.0	23.6	23.4
Precision production, craft and repair	1,042	100.0	61.6	26.1	12.3
Mechanics and repairers	261	100.0	61.3	29.3	9.4

TABLE 5.—EMPLOYMENT STATUS OF DISPLACED WORKERS BY OCCUPATION OF LOST JOB, JANUARY 1984—Continued

Occupation of lost job	Total [1] (thousands)	Percent			
		Total	Employed	Unemployed	Not in the labor force
Construction trades	315	100.0	63.2	23.8	13.0
Other precision production, craft, and repair	467	100.0	60.8	25.8	13.4
Operators, fabricators, and laborers	1,823	100.0	54.6	31.6	13.7
Machine operators, assemblers, and inspectors	1,144	100.0	56.0	27.5	16.5
Transportation and material moving occupations	324	100.0	63.8	28.7	7.5
Handlers, equipment cleaners, helpers, and laborers	355	100.0	41.8	47.6	10.6
Construction laborers	55	100.0	[3]	[3]	[3]
Other handlers, equipment cleaners, helpers, and laborers	300	100.0	42.0	47.0	11.0
Farming, forestry, and fishing	68	100.0	[3]	[3]	[3]

[1] Data refer to persons with tenure of three or more years who lost or left a job between January 1979 and January 1984 because of plant closing or moves, slack work, or the abolishment of their positions or shifts.
[2] Total included a small number who did not report occupation.
[3] Data not shown where base is less than 75,000.

TABLE 6.—EMPLOYMENT STATUS AND AREA OF RESIDENCE IN JANUARY 1984 OF DISPLACED WORKERS BY SELECTED CHARACTERISTICS

[Numbers in thousands]

Characteristic	Total [1]	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
WORKERS WHO LOST JOBS										
Total	5,091	260	794	1,206	426	664	378	484	211	667
Men	3,328	155	530	772	282	428	236	347	152	427
Women	1,763	105	264	434	145	236	143	137	59	241
REASON FOR JOB LOSS										
Plant or company closed down or moved	2,492	118	410	556	208	339	204	231	103	323
Slack work	1,970	106	269	513	164	236	132	211	83	256
Position or shift abolished	629	36	115	138	54	89	42	42	26	88
INDUSTRY OF LOST JOB										
Construction	481	16	68	88	36	81	34	63	30	63
Manufacturing	2,514	158	414	658	210	296	189	215	58	315
Durable goods	1,686	94	260	514	137	175	107	142	40	218
Nondurable goods	828	64	154	145	73	122	82	73	18	97
Transportation and public utilities	352	14	61	83	34	34	33	41	19	32
Wholesale and retail trade	740	41	100	182	68	132	40	54	32	90
Finance and service industries	648	22	122	133	45	70	32	54	39	132
Public administration	84	2	10	22	5	13	4	8	5	16
Other industries [2]	272	5	20	40	28	38	45	49	27	19
EMPLOYMENT STATUS IN JANUARY 1984										
Employed	3,058	171	428	621	276	461	209	344	148	399
Unemployed	1,299	48	225	400	96	117	113	85	33	181
Percent less than 5 weeks	22.1	([3])	24.1	21.2	13.0	29.4	17.3	25.4	([3])	18.4
Percent 27 weeks or more	38.8	([3])	36.8	47.2	47.5	25.5	51.7	29.8	([3])	28.0
Not in the labor force	733	41	141	185	54	85	56	55	30	86

[1] Data refer to persons with tenure of three or more years who lost or left a job between January 1979 and January 1984 because of plant closings or moves, slack work, or the abolishment of their positions or shifts.
[2] Includes a small number who did not report industry.
[3] Data not shown where base is less than 75,000.

Note: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont compose the New England Division; New Jersey, New York, and Pennsylvania compose the Middle Atlantic Division; Illinois, Indiana, Michigan, Ohio, and Wisconsin compose the East North Central Division; Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota compose the West North Central Division; Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia compose the South Atlantic Division; Alabama, Kentucky, Mississippi, and Tennessee compose the East South Central Division; Arkansas, Louisiana, Oklahoma, and Texas compose the West South Central Division; Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming compose the Mountain Division; Alaska, California, Hawaii, Oregon, and Washington compose the Pacific Division.

TABLE 7.—CHARACTERISTICS OF NEW JOB OF DISPLACED WORKERS WHO LOST FULL-TIME WAGE AND SALARY JOBS AND WERE REEMPLOYED IN JANUARY 1984 BY INDUSTRY OF LOST JOB

[In thousands]

Industry of lost job	Total reemployed January 1984	Part-time job	Full-time wage and salary job					Self employment or other full-time job
			Total [1]	Earnings relative to those of lost job				
				20 percent or more below	Below, but within 20 percent	Equal or above, but within 20 percent	20 percent or more above	
Total who lost full-time wage and salary jobs [2]	2,841	357	2,266	621	320	571	533	218
Construction	253	26	199	48	30	47	61	28
Manufacturing	1,418	151	1,200	366	171	286	247	67
Durable goods	954	106	797	281	102	181	155	51
Primary metal industries	98	14	77	40	5	22	5	7
Steel [3]	78	14	59	33	3	14	5	4
Other primary metals	20		18	7	2	9		2
Fabricated metal products	102	12	81	30	6	21	16	9
Machinery, except electrical	244	17	215	77	34	39	40	12
Electrical machinery	94	10	84	26	12	14	22	
Transportation equipment	219	30	174	66	22	42	34	14
Automobiles	141	19	115	43	16	21	26	7
Other transportation equipment	77	11	59	23	6	21	8	7
Nondurable goods	464	45	403	85	69	105	92	16
Transportation and public utilities	191	15	154	40	22	44	27	22
Wholesale and retail trade	399	72	296	61	41	79	85	31
Finance and service industries	378	58	270	59	35	83	74	50
Public administration	48	4	42	11	5	7	18	2
Other industries [4]	153	31	104	36	16	24	22	18

[1] Includes 221,000 persons who did not report earnings on lost job.
[2] Data refer to persons with tenure of three or more years who lost or left a full-time wage and salary job between January 1979 and January 1984 because of plant closings or moves, slack work, or their positions or shifts were abolished.
[3] Includes blast furnaces, steelworks, rolling and finishing mills, and iron and steel foundries.
[4] Includes a small number who did not report industry.

Mr. O'KEEFE. The study found that of approximately 5.1 million workers displaced between January 1979 and January 1984, about 25 percent—1.3 million—were still unemployed when surveyed in January 1984. Of those unemployed, however, only about 500,000 had been jobless for 27 weeks or more—that is for a period exceeding the duration of the typical UC claim. While sizable, these numbers are not as large as was thought prior to the completion of this analysis and, for most adversely affected workers, the duration of unemployment is relatively short.

While unemployment compensation is available to meet the temporary income needs of the involuntarily unemployed, we now have—in the Job Training Partnership Act—a successful program that assists the displaced worker in acquiring new skills and seeking new employment. In its initial 9 months, between October 1983 and June 1984, JTPA's program for displaced workers served 96,000 individuals and placed 72 percent of those who left the program, a total of 50,000. This is a record of success that exceeded all projections.

In sum, Mr. Chairman, our systems are generally working quite well, and this cannot be forgotten as we consider proposals to reform or revamp them.

Mr. Chairman, I would like to address one point that I heard come up this morning. It does go to a report that the department submitted to the Congress some time ago dealing with the substate triggers. I heard this morning, perhaps I misheard, but I thought I heard some people say that the study that we had submitted said that we could go forward with substate triggers, that there were no problems with them.

Mr. Chairman, for the record, we will resubmit the full report, but let me read to you one sentence from the executive summary.

While the specifications of particular proposals may vary, it is not currently feasible to implement a substate program which follows the generally accepted principles upon which current UI Programs are based and meet reasonable standards of accuracy and timeliness.

Mr. Chairman, my colleagues and I will address any questions you may have.

Chairman FORD. Thank you very much, Mr. Secretary.

[The prepared statement and report referred to follows:]

STATEMENT OF PATRICK J. O'KEEFE, DEPUTY ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING, U.S. DEPARTMENT OF LABOR

Mr. Chairman and members of the subcommittee; I am pleased to appear here today to discuss the Unemployment Insurance system, its status and proposals to modify it. You are to be commended for convening this hearing on the broad and interdependent issues that confront us. We look forward to working with you in exploring the options available to us.

I would like to discuss the following points:

First, the basic purposes and status of the unemployment insurance (UI) system;

Second, our position on allowing the Federal Supplemental Compensation (FSC) Program to expire; and

Third, several specific proposal before the Committee.

The characteristics of the UI system that define it and distinguish it from other income transfers are straightforward: it is a self-financed program—established under Federal and State law—to provide eligible workers with some income maintenance during temporary periods of involuntary unemployment due to lack of work. It provides eligible workers with partial compensation for wage loss but imposes a "work test" as a condition of continued eligibility. In carrying out these these prin-

ciples, UI helps to maintain purchasing power and stabilizes the economy. Further, it diminishes the dispersal of employers' trained work force, the sacrifice of skills, and the breakdown of labor standards during temporary unemployment.

Through a combination of policy shifts an economic conditions, the UI system, by the end of the 1970s, had accumulates sizeable debts—undercutting the basic premise that it was self-financing—and was providing benefits for lengthy periods when economic conditions were relatively robust—calling into question the system's fundamental character as a source of temporary, work-related support. The erosion of the system's basic structure was widely recognized and prompted several reforms.

Beginning with the recommendations in President Reagan's first Budget Message in early 1981, the Congress made, over the past four years, many positive changes. This strengthened the solvency of both Federal and State unemployment funds, thereby assuring that resources will be adequate to pay the benefits of workers who may need them in the future. We have reformed and improved the permanent Federal-State system of Extended Benefits; rationalized the payment of benefits to ex-servicemen and women; and initiated in September 1982 the Federally-funded temporary program of Federal Supplemental Compensation that is now in place through March 1985. In addition to the legislative reforms, we also have worked to eradicate fraud and abuse, and have sought to restore public confidence in the financial and administrative integrity of this system.

The joint emphasis by the Administration and Congress on sound financing for the UI system—most notably requiring payment of interest on new loans—is reflected in the improved solvency of the system as a whole. We reached an all-time high in outstanding loans on April 30, 1983, when 31 states had loans totaling $13.8 billion. At year's end in 1983, 23 States had loans aggregating $13.3 billion, of which $6.9 billion was in non-interest bearing loans, and $6.4 billion in new interest bearing loans. One year later, at year's end in 1984, 19 States had loans totaling $9.5 billion, a drop of $3.8 billion, an almost 30 percent reduction from the 1983 total. While interest-free loans declined only $1.2 billion, mostly as a result of increases in FUTA in debtor States, interest bearing loans were down to $3.8 billion, a drop of more than 40 percent in the year.

The UI system is, therefore, better prepared to meet the future needs of the short-term unemployed. Where economic conditions in individual States require additional assistance, the Federal-State extended benefit program is also in place. It has been revamped and strengthened and should be permitted to continue without further change. Given our present health economy, there is no reason why States other than those currently on EB should be paying more than regular State benefits.

There have been some 77 changes in Federal law since 1981, leading to an estimated 2,000 changes in aggregate in the 53 State UI laws. After a period of considerable flux, the system has now stabilized and would benefit from a period with little further change.

I will now turn to the Federal Supplemental Compensation [FSC] Program. We do not believe that there is any demonstrated need or economic justification for further extension of the FSC Program.

In Fiscal 1983, FSC payments totaled $5.6 billion. For Fiscal 1984, payments were $3.0 billion. In Fiscal 1985, for the half year ending March 31, 1985, we estimate payments will aggregate approximately $1.0 billion. The overall total of expenditures under the FSC program will thus total $9.6 billion. All of this has been added to the deficit. Extension of the FSC program would add still further to the deficit. We estimate that a six month extension would increase benefit costs by $900 million. A twelve month extension would increase cost by $1.85 billion, and an 18-month extension would increase costs by $2.77 billion. Our economy is now a healthy one, and economic forecasters agree that we are now in a period of steady growth. There is no reason to continue this very costly deficit-financed program, which was designed to meet recessionary unemployment levels, under our present conditions.

This position is borne out by a review of the economic circumstances at the time FSC first became payable and when the successive extensions were enacted. Let me list a few facts:

On September 12, 1982, when FSC first became payable, the national total unemployment rate (TUR) for civilian labor force was 10.1 percent and the insured unemployment rate (IUR) was 5.0 percent. Twenty-four States were triggered "on" for payment of Extended Benefits.

As of January 6, 1983 (first extension of FSC), the TUR had risen to 10.4 percent, and the IUR was at 4.6 percent. Twenty-one States were paying Extended Benefits.

March 29, 1983 (second extension), the TUR remained at 10.3 percent and the IUR was 4.5 percent. Twenty-eight States were paying Extended Benefits.

October 11, 1983—when the extension to March 30, 1985, was adopted—the TUR was 8.8 percent and the IUR had declined to 3.4 percent. Only 2 States were paying Extended Benefits.

For January 1985, the TUR is estimated at 7.4 percent and the IUR is at 2.9 percent. Only three States are paying EB, two being Alaska and Puerto Rico, where circumstances are frequently different from those in the contiguous 48, and West Virginia.

In other words, from a high two years ago (January 1983), of 10.4 percent, the TUR has now declined to 7.4 percent and the IUR has declined from a high of 5 percent when FSC first became payable in september of 1982, to the present 2.9 percent. Record growth in employment has reduced previously high unemployment. Some 7 million jobs have been created between November 1982, the trough of the recession, and January 1985.

Similar evidence of exonomic improvement is seen in the statistics for the regular State UI payments. For calendar year 1983, benefits aggregating $20.9 billion were paid for 198 million weeks of unemployment. In calendar year 1984, total payment of regular State UI totaled $13.6 billion for 131.7 million weeks of unemployment. This represents a drop of 35 percent in benefits paid, with a similar decline in the number of weekly claims paid.

In sum, the UI system is displaying the sensitivity to shifts in economic circumstances that we would expect. It is working, meeting the needs of those experiencing temporary spells of involuntary unemployment.

Accordingly, Mr. Chairman, this Administration strongly opposes any extension of the FSC program and any tinkering with the Federal-State extended benefit triggers.

As you have requested, I will now turn to several proposals to revamp the UI system. Typically, these proposals seek to modify benefit eligibility, and to extend durations, or to lower the thresholds at which extended transfer payments would become available. In light of the recent success of the revised UI program in meeting its objectives, given that other alternatives are available to those who are structurally unemployed, and considering UI's basic character, these proposals are generally problematic. Let me highlight just a few of our concerns.

One proposal currently under consideration would authorize the use of area triggers for extended benefits. It would "trigger on" UI payments to small pockets of unemployment within States. Under present law, extended benefits are payable in a State in which the insured employment rate (IUR) for the most recent 13 weeks is at least 5 percent and is at least 120 percent of the average IUR for the same 13 weeks in the two previous years. A State may be law also choose to pay extended benefits when the current IUR is 6 percent or higher, without reference to prior year experience.

Studies demonstrate that it is not currently feasible to implement a program with areas smaller than a State that follow generally accepted principles upon which current UI programs are based and which meet reasonable criteria of accuracy and timeliness. Such a program of substitute triggers would also increase the potential of improper and inaccurate payments. Recent audits of the extended benefit program conducted by the Department of Labor's Office of the Inspector General demonstrate that the increases in complexity associated with earlier changes contributed to the erroneous and inappropriate payment of benefits in many States.

While a substitute trigger mechanism is theoretically possible, such a system would be both difficult and costly to administer, would be open to potential overpayment and fraud, and would raise serious equity issues among both claimants and employers. For example, two workers laid off on the same day could well be eligible for different numbers of weeks of benefits depending on where their respective firms are located or where they live. It would be highly inequitable to pay a different number of weeks of benefits to two different workers simply because they lived or worked on opposite sides of a street that marked a county line. For these reasons, we oppose such an approach.

Turning now to H.R. 1072: this proposal would provide a greatly expanded program of extended benefits to replace both the permanent Federal-State Extended Unemployment Compensation Act and the temporary Federal Supplemental Compensation program, which expires as of March 31, 1985.

I will comment on the various components of this bill, but let me say that proposals as sweeping as H.R. 1072 cannot be viewed in isolation from their effects on the basic system that has worked so well for the past 50 years. In addition to their substantial adverse budgetary implications, changes as sweeping as this have the potential to divert the system from its basic mission of assisting workers through temporary periods of unemployment. Such changes will call into question the basic Feder-

al-State structure, the current financing mechanisms, and the work-based character of the program.

H.R. 1072 would establish a permanent extended benefit program, under State triggers, that would pay benefits for as long as 30 weeks, which, when added to 26 weeks of regular benefits, provide for as many as 56 weeks of benefits on a sliding schedule of Federal reimbursement ranging from 50 percent (as in the present law) to 80 percent. In addition, five additional weeks of extended benefits, funded 100 percent by Federal Government, would be payable in all states, regardless of State unemployment rates, whenever a "high unemployment period" occurred nationally. Such a high-unemployment period would trigger "on" whenever the national seasonally adjusted total rate of unemployment (TUR) equaled or exceeded 10 percent for a period of 13 consecutive weeks. In all, this would provide a maximum total potential duration of benefits for up to 61 weeks. At the present time benefits under permanent law are generally payable under State UI law for up to 26 weeks; under the Federal-State Extended Benefit program, for up to 13 weeks, for a combined maximum of 39 weeks.

Let me turn to the specifics of our concerns:

1. UNEMPLOYMENT PERIODS—TRIGGERS AND DURATION

a. The bill provides as the basic trigger the Adjusted Insured Unemployment rate—which is a percentage arrived at by dividing the average weekly number of individuals filing claims for regular unemployment compensation by the average monthly covered employment (for the first 4 of the most recent 6 calendar quarters). The rate would be seasonally adjusted in the same manner as the total unemployment rate [TUR] is adjusted by the Bureau of Labor Statistics [BLS].

It is doubtful that the IUR for each of the 50 states can be accurately seasonally adjusted. Seasonal adjustment is a process which attempts to estimate and remove the effects of "normal" or "usual" seasonal patterns and variations. Such adjustment makes it easier to observe the cyclical and other nonseasonal movements in economic time series. Not all time series lend themselves to seasonal adjustment however, and certain statistical tests have to be met before data can be seasonally adjusted. In the case of many of the smaller states it is not clear that these tests would be met.

b. The bill provides that the duration of extended benefits under State triggers provided by the bill would range from 30 weeks where the IUR is 7 percent, down to 10 weeks where the IUR is at least 4 percent, with no EB payable where the IUR is less than 4 percent. An additional 5 weeks of benefits, federally funded, would be payable in all States if the national seasonally adjusted total rate of unemployment (TUR) equals or exceeds 10 percent for a 13 week moving average, regardless of State level of unemployment.

The availability of EB payments for such extended periods of time would act as a considerable disincentive for the type of effective job search currently required for EB. Studies have shown that increasing the number of weeks of benefits available results in increasing the duration of unemployment. Weakening the job search requirements not only has the potential of altering the character of the UC program, it also forestalls needed adjustments by individuals—adjustments often involving occupational, industrial or geographical mobility. This proposal would also significantly increase costs, necessitating significant increases in both State and Federal taxes.

c. The bill provides as an alternative determination of benefit duration a period based upon the total unemployment rate (TUR) for each State. H.R. 1072 would provide an alternative to the use of insured unemployment rate triggers—the use of total unemployment rates.

The use of factors directly related to the unemployment compensation program as the basis for payment or nonpayment of benefits has had general acceptance at both the Federal and State levels, in part because the data can be reported promptly and checked readily. Thus, we have used the IUR as the basis for calculating triggers, because it is a factor directly related to the unemployment insurance system and it is based on an actual count. As I have commented earlier, while we can support the accuracy of TURs established for large States, we have some concerns with respect to the reliability in smaller States.

2. PAYMENTS (REIMBURSEMENTS TO STATES)

Reimbursements to States for payment of EB would be under the following schedule:

	Extended benefits (weeks)	Reimbursement (percent)
7 percent IUR (12 percent TUR)	30	80
6 percent IUR (11 percent TUR)	25	70
5 percent IUR (10 percent TUR)	20	60
4 percent IUR (9 percent TUR)	10	50
National TUR of 10 percent	5	100

Obviously, the cost of Federal reimbursement would be increased tremendously over the present 50 percent reimbursement. These costs would add to the Federal deficit.

3. STATUS OF INTERSTATE CLAIMS UNDER EB

The amount and duration of EB payable to any individual claimant would be based upon the EB status of the liable State—the State in which the claimant's right to benefits was established—and from which the claimant has moved.

We support the present provisions of the EB law—benefits are payable for only two weeks when a claimant moves from liable State which is "on" EB to an agent State in which EB is not payable.

4. CHANGES IN JOB SEARCH PROVISIONS

Under the EB law, benefits are not payable to an individual for any week of unemployment during which the individual fails to actively engage in seeking work. Exclusions from the requirements apply if the individual is engaged in a job training course, is on jury duty, or is hospitalized.

H.R. 1072 would modify the job search requirement by providing that, in accordance with regulations of the Secretary of Labor, the State "may modify the requirements of this clause to take into account any determinations by the State that labor market conditions in the labor market area in which such individual resides, are so depressed that actively seeking work likely will not result in employment."

H.R. 1072 also provides that an individual shall not be eligible for EB: "unless he participates in an intensive 1-week job search program administered by the Employment Service, if requested to so participate."

We oppose any such change. It would substitute a 1-week job search program for the continuous job search that is now required. The average EB claimant enters EB after having been unemployed for at least half a year. We do not consider it to be unreasonable that such claimants be required to be continuously "actively engaged in seeking work" as under present law. In any community, only a small proportion of the job openings are listed with the Employment Service. Many more jobs are found as a result of information from other sources, such as newspaper ads, openings posted in personnel offices, from union halls, and from friends and neighbors. This has been verified in many studies of hiring patterns. To change the present law would create a strong disincentive to a realistic search for work.

In sum, Mr. Chairman, the cumulative impacts of H.R. 1072 would alter the basic structure of the UI system in ways that would inhibit the longer term adjustment of those who are structurally, not cyclically, unemployed. We estimate that if enacted the bill would increase outlays by $259 million in 1986 and $243 million in 1987. Costs in later years would be similarly higher than current law. The bill does not identify a means of paying these costs, but it is clear that the money would have to come from somewhere. Enacting legislation such as this, which would substantially increase the deficit, would not be prudent policy.

Also before you is H.R. 646. This bill would, in addition to providing for a system of area triggers—a subject which I have addressed earlier—make major and costly changes in the system of triggers for the extended benefit program, and would continue FSC as a permanent program, providing a combined EB and FSC duration that could extend as long as 27 weeks in addition to regular State UI, an overall period of 53 weeks. Accordingly, we oppose this proposal.

Another proposal, H.R. 758, proposes four major initiatives. It would:

Encourage the extension of worksharing in the States;

Provide UI, EB, or FSC, as applicable, to individuals who voluntarily quit employment in declining industries or establishments or to enter training;

Encourage UI claimants to accept lower paying jobs by continuing 80 percent of any remaining UI entitlement over a one-year period; and

Authorize States to provide additional UI benefits to individuals in approved training including those who voluntarily quit a job to enter a training program.

Appropriations of $200 million would be authorized for each of fiscal years 1986 through 1988 for carrying out the above provisions.

H.R. 759 would provide for 3-year demonstration projects in two States of provisions under which unemployed individuals will receive retraining, education, and relocation assistance in lieu of extended benefits or other additional UI or UI-type benefits.

The Federal share of costs of these programs would be equal to the Federal share of EB or FSC for which the State would have been entitled if such compensation had been paid.

Again, as with the proposals discussed earlier, each of these changes must be viewed from the perspective of its effects on the basic system. Budgetary considerations cannot be ignored, either. Further, consideration of such proposals should take account of programs already in place.

Mr. Chairman, we believe that effective use of the State employment services, which is financed by employer payroll taxes, and Title III of the Jobs Training Partnership Act (JTPA), now underway and showing considerable success, address the concerns that prompt these proposals.

Mr. Chairman, I would like to conclude this statement with the following observations:

First, the UI system is meeting the needs of those for whom it is intended—workers temporarily and involuntarily unemployed.

Second, structural unemployment is not a problem that can properly be addressed within the UI system, which both conceptually and financially is limited to the needs of those whose unemployment is generally temporary in nature.

Third, the problems of the structurally unemployed can best be addressed via job training and employment services.

Fourth, Title III of JTPA, designed to meet the needs of the displaced workers, is working. In the first 9 months of the program, ending June 30, 1984, the results are noteworthy: 91,100 individuals had been served by the program; and 72 percent of this group had entered employment.

Fifth, any extension of FSC would be very costly. A six month extension would cost nearly $900 million in benefits alone. A twelve month extension would cost $1.85 billion, and an eighteen month extension would cost $2.77 billion. Every additional dollar spent on FSC would add to the deficit.

Finally, there are some administrative reforms—Quality Control and Devolution to the States of the financing and administration of the UI and employment service system—that will enhance the system. I will defer discussion of these since it is my understanding that you plan hearings on these subjects at another time.

Mr. Chairman, this concludes my testimony.

A REPORT TO THE CONGRESS

THE FEASIBILITY OF USING SUBSTATE AREAS FOR THE PAYMENT OF UNEMPLOYMENT BENEFITS

U.S. DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING
ADMINISTRATION
UNEMPLOYMENT INSURANCE
SERVICE
MAY 1984

TABLE OF CONTENTS

Executive Summary	ii
Introduction	1
Review of Extended Unemployment Compensation	1
History	1
Current Eligibility Requirements for EB Claimants	4
Review of Program Data	5
Unemployment Data	5
Employment Data	8
Unemployment Rates	9
Accuracy of Unemployment Rate Estimates	12
Description of Currently Defined Areas	14
Metropolitan Statistical Areas	14
BEA Economic Areas	15
Labor Market Areas	16
Labor Surplus Areas	16
Other Areas	17
Proposed Area Trigger Legislation	18
Summary -- Data Elements/Area Definitions	20
Issues to Consider for any Substate Area Program	21
Trigger Rates	22
Rate Computation and Trigger Criteria	24
Individual Eligibility	24
Area Definition	25
Administrative Problems and Costs	25
Other Issues	28
Conclusion	28
Glossary	30

THE FEASIBILITY OF USING SUBSTATE AREAS FOR THE PAYMENT OF UNEMPLOYMENT BENEFITS

EXECUTIVE SUMMARY

The issue of providing unemployment insurance (UI) benefits on a local basis has been raised a number of times in recent years. As a result of the continuing interest in this important subject area, the Congress included in Public Law 98-135 a request that the Secretary of Labor submit a report on the feasibility of using area triggers in unemployment compensation programs. This report examines the issues relevant to this subject. While the specifications of particular proposals may vary, it is not currently feasible to implement a substate program which follows the generally accepted principles upon which current UI programs are based and meets reasonable standards of accuracy and timeliness. To develop such a program would require a significant increase in resources, an extensive amount of time (probably at least two years), and resolution of difficult policy and technical issues. In addition, the costs of implementation are likely to be substantial. This paper deals with known implementation issues. In the course of determining whether a specific proposal is workable, unforeseen problems may arise which would affect the feasibility of the program.

There are a number of components currently in place which could be used in the design of a specific program. Unfortunately, any combination of these would lead to a program which would be extremely difficult and costly to administer, would be open to potential overpayments and fraud, and would lead to a host of equity questions among claimants and employers. The paper reviews these various components and discusses problems and issues which need to be dealt with if considering a substate area UI program.

The current Federal and State data collection system drawing on UI administrative records provides some data at the county level for the calendar week including the 12th of the month (the same week as the Current Population Survey sample week): claims for UI by place of residence and covered employment by county of work. Data are not currently available on unemployment by county of work, which is a key element needed to develop an acceptable substate UI program. Most employers report employment by county, but if certain conditions are met, they may report all employment as being in a single county, even though it is not.

The above unemployment and employment data are used to develop total rates of unemployment (TURs) and insured rates of unemployment (IURs). Both have problems, but each are useful in measuring, at the State and national levels, conditions in different components of the labor market.

TUR estimates are not based on direct measurement of unemployment, except for the ten largest States and two metropolitan areas. All other TURs are calculated through a multistep method which yields rates less soundly based statistically than the rates for the ten largest States and two areas. The accuracy of data used to compute the TUR for an area diminishes even further as areas below the State level are used. An expansion of the Current Population Survey to a size sufficient to generate reliable monthly TURs for all but rural areas would be extremely costly. Area and other State TUR estimates are built up from assumed relationships between other labor market data and unemployment. It is not practical to test the validity of the assumptions used. While IURs are potentially more accurate than TURs because they are based on actual claims counts, rather than estimates, problems still may occur because of failure to assign all UI claims to the correct week or because of the use of a lagged covered employment figure. Also, IURs are not comparable across State lines because of differences among State laws.

TURs are developed monthly for all States and substate areas. State and substate TURs are currently computed based on place of residence, while State IURs are based essentially on place of work. Except for TURs for the ten largest States, neither IURs nor TURs are seasonally adjusted at the State level.

In many States the proper computerized data base cannot be developed without an unknown, but probably significant, increase in resources and an extensive amount of time for implementation. The use of computers among the States varies widely. Some States rely on hand tabulation of county level estimates and program reporting, while other States are completely automated.

Regarding the currently defined substate areas, several presently used by the Federal Government for data collection and other purposes offer various advantages and disadvantages as potential areas for targeting unemployment benefits to locations experiencing a high degree of labor surplus. The best known of these areas are Metropolitan Statistical Areas (MSAs), Bureau of Economic Analysis (BEA) Economic Areas, and Labor Market Areas (LMAs). Regardless of the area definition chosen, there are numerous issues which must be dealt with.

including the feasibility of data collection, differences in State law determining eligibility (applicable if areas cross State lines), and the increase in administrative costs and potential for increased errors as the number of areas increases.

Interstate agreements currently allow for the payment of benefits across State lines. However, in an area program, the problem of determining eligibility for claimants who have moved would be greatly magnified.

The basic data elements necessary for creation of a substate benefit program do not exist in a form which makes establishment possible within existing administrative, program, or political constraints. It is possible to define areas and to identify individuals who either live or probably work in those areas, but it is not possible to measure with sufficient accuracy the unemployment rates for those areas and create a program which is similar to existing UI programs without extensive revisions in the amount and type of data collected and in UI administrative mechanisms. The necessary combination of elements may be obtainable in the future with careful program design, sufficient resources, and adequate lead time to put each in place.

A series of issues must be addressed in order to begin the design of any program which uses substate areas:

- Trigger rate options: IURs, TURs, combination or variation thereof.
- Rate computation and trigger criteria: frequency of computation updating, handling seasonal fluctuations in the economy, differences among State laws.
- Individual eligibility, by location: place of work, place of residence, place of filing.
- Area definition: size and number of areas, crossing State boundaries, complete division of States.
- Administrative problems and costs: implementation lead time provided, reporting burden, eligibility verification, single or multiple duration, frequency of duration change, cost impact.
- Other issues: complement or substitute for present programs, mandatory or optional State participation, financing of benefits.

In conclusion, while implementation of substate programs may be technically feasible if proper lead time and resources are made available, many major issues remain to be dealt with and answered before implementation may be considered. These include: administrative complexities associated with operating a program of extended benefits in areas far outnumbering the current 53; uncertain, but greatly increased, costs related to data collection and the time required to establish the collection process; and the degree of equity among claimants, among areas, and among States.

INTRODUCTION

Over the past several years, a number of proposals have been made to operate benefit extension programs on a local basis (i.e., in substate areas), controlled by triggers based on measures of area unemployment. The Congress, in Section 203 of Public Law 98-135, required the Secretary of Labor to submit a report on the feasibility of using substate areas for the purpose of targeting extended unemployment benefits.

The intent of this report is to present the facts and technical and administrative issues related to the payment of unemployment insurance (UI) benefits at the substate level. There are a number of components currently in place which could be used in the design of a specific program. Unfortunately, any combination of these would lead to a program which would be extremely difficult and costly to administer, would be open to potential overpayments and fraud, and would lead to a host of equity questions among claimants and employers. The paper reviews these various components and discusses problems and issues which need to be dealt with if considering a substate area UI program.

Past and current extended benefit programs will be reviewed briefly. Then the existing UI-related data collected by the Employment and Training Administration (ETA) and the Bureau of Labor Statistics (BLS) will be described in detail. The report also contains definitions and brief descriptions of selected unemployment rates. In addition, major types of areas below the State level will be reviewed. These areas are defined and used by a number of Federal agencies for particular programmatic and economic purposes. Finally, issues in designing a substate extended benefits program will be discussed.

REVIEW OF EXTENDED UNEMPLOYMENT COMPENSATION

The substantial increase in the number of unemployed workers exhausting regular benefits during recessionary periods has influenced the Congress to enact, on a number of occasions, benefit extension programs. Each of these programs is discussed in the following section. In addition, since primary concern in any benefit extension program focuses on individual eligibility for benefits, current eligibility under the present extended benefit (EB) program is discussed.

History

The first program designed to pay benefits to claimants who had exhausted their entitlement to UI benefits under the regular UI program (benefits financed entirely from State UI funds) was

established in June 1958. This program, the Temporary Unemployment Compensation Act of 1958 (TUC), P.L. 85-441, provided up to 13 weeks of extended benefits to individuals who had exhausted regular entitlement after June 30, 1957, and before April 1, 1959. The program was financed by interest-free Federal loans to States. State participation was optional and no trigger rates were used. The loans to the participating States were repaid by transfers from such States' accounts or through earmarking of future Federal Unemployment Tax Act (FUTA) receipts from employers in those States. Seventeen States elected to participate in the program which lasted 13 months, from June 1958, to July 1959.

A second temporary extension of benefits was passed in March 1961. This program, the Temporary Extended Unemployment Compensation Act of 1961 (TEUC), P.L. 87-6, provided up to 13 weeks of extended benefits to workers who exhausted their regular UI benefit entitlement. The TEUC program was effective from April 1961, to June 1962, with a reachback to those who exhausted benefits after June 30, 1960. Participation was mandatory for all States and, again, no trigger rates were used. The benefits were paid for entirely by a temporary increase in the FUTA rate for all employers in all States.

In 1970, the Congress passed legislation, title II of P.L. 91-373, to create a permanent Federal-State EB program. The program becomes effective in a State when claims for unemployment benefits reach or exceed a specific level. The original program used both national and State triggers. The Nation as a whole would trigger on when the national seasonally adjusted insured unemployment rate (IUR) equaled or exceeded 4.5 percent for three consecutive months. If the national trigger were off, a State triggered on if its 13-week moving average IUR, not seasonally adjusted, were 4.0 percent or more and at least 20 percent higher than the average of the rates in the corresponding 13-week periods in the two prior years. National and State trigger rates were computed using both regular and EB claims in the numerator.

Over the years, a number of changes in the EB program have been legislated. The national trigger was first changed to a 13-week moving average and subsequently eliminated. Also, EB claims are no longer used in the IUR computation for the EB trigger. Under the current program, a State triggers on EB when its 13-week average IUR is 5.0 percent or more and at least 20 percent higher than the prior two years' average. State law may provide for an automatic waiver of the 20 percent requirement if the IUR reaches 6.0 percent. The program, when triggered on, allows individual claimants to receive up to 50 percent of their original UI entitlement, not to exceed 13 weeks, with an overall maximum of 39 weeks. Half of the benefits are financed by State UI revenues and the other half

by Federal UI revenues through the Extended Unemployment Compensation Account (EUCA) of the Unemployment Trust Fund.

The EB program is provided for in Federal legislation and in legislation in each State. States must have the EB provisions in effect in order to meet the conformity requirements of Federal law.[1]

In late 1971, the Congress enacted the Emergency Unemployment Compensation Act, title II of P.L. 92-224, which created a new temporary third tier of benefits, or temporary compensation (TC). During the emergency benefit period that lasted from January 1972, through September 1972, claimants were eligible for up to 13 more weeks of benefits or if less, one-half of their regular benefit entitlement. The overall duration of combined benefits (regular, EB, and TC) was limited to 52 weeks. The triggered benefits initially were financed from EUCA to which repayable advances to the extent necessary were made from general revenues. Later legislation extended the payment of emergency benefits through March 1973, and provided that benefits payable after June 1972, be financed from EUCA by a temporary increase in the FUTA rate.

A third tier of temporary benefits was again enacted in December 1974 in P.L. 93-572. Federal Supplemental Benefits (FSB) were payable from January 1975, through January 1978, to exhaustees of regular and extended benefits. Benefit entitlement started out as half of regular entitlement up to 13 weeks and was expanded to a maximum of 26 weeks, with a total combined maximum duration of 65 weeks for regular UI, EB, and FSB. From January 1976, through March 1977, the maximum number of weeks payable in the State was variable at 13 or 26 weeks, depending on the State's unemployment rate. The triggered program was funded by repayable advances from general revenues to EUCA until April 1977, when the funding was changed to general revenues.

A third temporary program to provide a third tier of benefits was enacted in title VI of P.L. 97-248 in September 1982. This program, the Federal supplemental compensation (FSC) program, is entirely funded from Federal general revenues. The FSC program is the second program to use the variable duration concept. While the duration of individual claimants remained tied to their regular State UI duration, the maximum weeks of benefits payable in a State was defined in terms of the level of the State's IUR. At the beginning of the FSC program,

---

[1] Internal Revenue Code of 1954, Section 3304(a)(11).

durations ranged from 8 to 12 weeks, but later legislation changed these and the present range is 8 weeks to 14 weeks.

At the present time, the duration of FSC available in a State is dependent on two factors: first, the level of the IUR used to determine EB status in a State, and second, the level of the Long-term IUR (LIUR), a rate computed over a longer period of time than the EB rate. The LIUR is computed from data beginning in January 1982 and continuing through the second quarter prior to the current quarter.

Current Eligibility Requirements for EB Claimants

The EB program requires the payment of benefits in those States that meet the trigger criteria. A claimant's eligibility is determined by reference to the individual's place of work, i.e., the place where wages were earned.[2] If an EB claimant moves to a non-EB State, an interstate claim may be filed, but only two more weeks of EB payments can be received.[3] Special arrangements may be made among the States to cover individuals who move from State to State in the course of performing their work.[4] For example, an individual may be considered as working out of a firm's home office or some other designated worksite. All wages earned by that individual would then be counted as if they were earned in that particular location. Therefore, a claimant's eligibility for EB is first of all dependent on whether a State is triggered on EB, second, on where the individual's wage credits were earned, and finally, on where the claimant is filing a claim. The determination of a State's EB status is based on the number of regular claims filed by claimants in the State. Under the regular program, claimants may continue to receive benefits if they either reside in a second State or look for work in a second State. The Interstate Benefit (IB) program is made possible by a series of agreements among the States to process claims in the "agent" State based on wages earned in the "liable" State. As with a claim for regular benefits, the EB entitlement is based on the formula of the liable State, not the agent State.

---

[2] Federal law does not specifically mention place of work but does require a State to meet specific requirements for determining eligibility which can be accomplished only within State boundaries.

[3] Federal-State Extended Unemployment Compensation Act of 1970, Section 202(c)(1), ammended by, Section 416, P.L. 96-364.

[4] Guide to Interstate Agreements of the Interstate Conference of Employment Security Agencies, ICESA, July 1980, Washington, D.C.

Because of the IB program, it is necessary for every UI local office in every State to have current information concerning the laws of every other State, and in the case of the EB program, to know the current EB status of each State. This involves about 1,900 local offices. Because a State's trigger status can change during any given week, this information must be updated weekly.

REVIEW OF PROGRAM DATA

The following section centers on data collected by ETA and BLS. Specific attention is given to those unemployment and employment data elements used in rate computation. Also provided is a discussion of various unemployment rates and the accuracy of selected rates.

Unemployment Data

Unemployment data in the UI system is derived from the claimstaking process. Each claimant files an initial claim which may be followed by a series of continued claims. If the claimant exhausts benefit entitlement, a final payment is received.

Although each State uses its own initial claim form, the information collected is similar among States. In particular, every State has an agreement with BLS to provide the county or county-equivalent Federal Information Processing Standards (FIPS) code for each claimant's place of residence. In many States, a FIPS code is also given for incorporated places with a population of 2,500 or more. In addition, the claim form generally includes the claimant's social security number, address with Zip Code, and the address(es) of the most recent employer(s).

A continued claim is filed for each period in which the claimant is unemployed. The claim period is either one week or two weeks, depending on the State. Information on the continued claim includes the claimant's name and/or social security number and the dates for the week or weeks of unemployment. Insured unemployment, the basic measure of unemployment in the UI system, represents the number of people claiming regular benefits for a particular week.

Final payments (exhaustions) are defined as the number of claimants exhausting their entitlement to benefits in a particular period. These are recorded for the regular program and for extended programs.

Currently, ETA requires only statewide reporting. No data are required to be kept by county or other substate area. The ETA-5210 report is a weekly report containing, among other things, insured unemployment by program (regular State UI, unemployment compensation for Federal employees (UCFE), unemployment compensation for ex-servicemen (UCX), EB, FSC) and is due in the ETA National Office the second Thursday after the week of unemployment. The ETA-539 is also a weekly report which contains the number of weeks claimed and is used for determining EB trigger status. The ETA-5159 report is a monthly claims activity report which shows weeks of unemployment for which claims were filed during the month. It also shows the monthly count of final payments. It is due 15 days after the end of the month.

Two major data elements reported under the BLS Unemployment Insurance Data Base project are continued claimants (State UI and UCFE) and final payments (State UI). The data are defined in terms of the period of unemployment, the State and county of residence (using FIPS codes) of the claimant, and the existence of earnings in the week of unemployment. Almost all States are providing BLS with a count of claimant certifications for unemployment in the calendar week including the 12th of the month (corresponds to the Current Population Survey week) and final payments from mid-month to mid-month on a preliminary and revised basis. These file searches or extracts generally are available three or four weeks after the week of unemployment.[5]

Only with a substantial increase in resources could insured unemployment be correctly assigned to the week in which it occurs. For the UI Data Base project, States are required to do this, but only for the week including the 12th of the month. This involves a considerable time lag since some claims may be filed several weeks after the actual week of unemployment. However, for purposes of statewide reporting on the ETA-5210 and ETA-539 reports, all claims filed during a week are assumed to relate to unemployment the prior week. In biweekly reporting States, of which there are twenty-one, claimants generally file for two weeks of unemployment in the same week. Because approximately half of the claimants file claims in a given week, States are not required to allocate the claims count between the appropriate weeks. However, States do not always make the required adjustments for fluctuations

---

[5] For further information, see Manual for Developing Local Area Unemployment Statistics, Chapter 2, Section 235, "Bureau of Labor Statistics Standard for Claims Data," and Appendix B.1, "Incorporation of Unemployment Insurance Claims Data Developed According to BLS Specifications in the Handbook Estimate of Unemployment."

in claims filed caused by noneconomic factors such as holidays and other local office closings.

Insured unemployment is available on a weekly basis. The week including the 12th of the month has a more accurate count than other weeks in the month but the data are not as timely. Appropriate resources would have to be supplied to bring all weeks up to the same standard.

Continued claims can be matched to the information on the initial claims form to produce county-level (or more aggregated level) insured unemployment. It is easiest to do this by place of residence, for which the FIPS code is available in all States. The Local Area Unemployment Statistics program (discussed later) uses insured unemployment data in this manner. Insured unemployment by place of work is not currently required. Some States have this information but significant additional effort would be required for all of them to produce a count of claims by place of work.

Under the Interstate Benefit Payment Plan, when a claimant moves to another State after becoming unemployed, a claim is filed against the State in which work was last performed. The liable State (place of work) reports the interstate claims count to the agent State (place of residence), where it is included in the count of insured unemployment. The FIPS code for county of residence is coded on the interstate claim form so that interstate claims can be reported to the agent State by county or by other substate areas. There is a new centralized, automated system (Internet) for getting these interstate counts from the liable to the agent State, but there are currently accuracy problems with the county data, i.e., some incidences of no FIPS code or nonexistent FIPS code entered.

In addition to claims data, final payment data can be obtained by county of residence by matching with initial claim information. Monthly data are more readily available and more accurate than weekly data.

An additional source of unemployment data is the Current Population Survey (CPS). The CPS is a monthly sample survey of approximately 60,000 households nationwide. It is conducted and tabulated by the Bureau of the Census for BLS and is the primary source for national labor force data. Unemployed workers are identified by place of residence at the county level. However, the current CPS sample is designed only for reliable monthly national estimates and annual average State estimates. Because of this, there are only ten States and two metropolitan areas for which the sample size is large enough to provide reliable monthly unemployment estimates.

Employment Data

Covered employment, wages, and contributions data are provided in quarterly reports submitted to State employment security agencies by employers subject to State UI laws and by Federal agencies. The ES-202 Employment, Wages, and Contributions report is a compilation of these detailed data. It provides a distribution by county of total covered employment (during the pay period including the 12th of the month), according to the ownership and industrial classifications of the reporting employers. For the first quarter of each year, the report also furnishes a distribution of employment according to the employment size of the reporting unit within each industry. The report is submitted to BLS by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands on a quarterly basis and is generally available six months after the end of the respective quarter.[6] Requiring FIPS county and county-equivalent codes became effective with data for the last quarter of 1983 and will be available during the third quarter 1984. Several States do not yet have these data available. The ES-202 reports are required by law (42 USC 503) as are the other UI reports mentioned above. Failure to report can result in the withdrawal of Federal funds.

A reporting unit, as defined for the ES-202 report, is the smallest individual establishment or installation which is identified by the contribution report or its statistical supplement submitted by employers. In certain cases, two or more establishments are combined to make up one reporting unit. This occurs when establishments owned by the same employer are engaged in the same economic activity in the same county. Multiunit establishment employers who have a total of fewer than fifty workers in all their secondary industries combined need not separate them out. At the option of the State, for those multiunits whose primary and secondary industries employ fewer than fifty, any secondary units which have fewer than six workers need not be reported separately. Data on workers who, in the normal course of their duties perform services in more than one county should be allocated to the head office from which they operate. Therefore, covered employment is available by county of work, but it is not as precise as the statewide count.

The Current Employment Statistics (BLS 790) payroll survey provides current monthly information on wage and salary employment in nonagricultural establishments by industry and

---

[6] For further information, see the Employment Security Manual, Part III, section 0400: BLS Requirements for Processing the State ES-202 Report.

selected SMSAs. Under cooperative arrangements, responding establishments report the above data to State agencies. The State agencies mail the forms to the establishments and examine the returns for consistency, accuracy, and completeness. The States use the reported data to prepare State and area estimates and also send the reported data to BLS national office for use in preparing the national estimates. This avoids a duplicate reporting burden on establishments, and together with the use of similar estimating techniques at the national and State levels, promotes increased comparability among estimates. Form BLS 790-Report on Employment, Payroll, and Hours is the name of the data collection schedule. The State agency returns the schedule to the respondent each month so that the next month's data can be entered in the space allotted for that month. Form BLS 790 provides for entry of data on the total number of workers on the payrolls of nonagricultural establishments and, for most industries, employment of production and related workers or nonsupervisory workers for the pay period which includes the 12th of the month. Roughly 40 percent of all nonagricultural employees are represented in the sample. The establishment survey data are available four to five weeks after the week including the 12th.[7]

Employment data are also available from the CPS, but, again, the size of the sample does not allow for reliable monthly employment estimates other than for two substate areas and ten States.

Unemployment Rates

There are numerous rates of unemployment which presently are developed for States and, in some cases, substate areas. The calculation and specific use of several of those rates are explained below.

Several variations of the insured unemployment rate (IUR) are currently computed at the State level. No IUR is required, by either ETA or BLS, to be computed for any substate area. The IUR for a week is the insured unemployed for that week divided by the average monthly covered employment for the first four of the last six completed calendar quarters (i.e. the latest available). The extended benefit (EB) trigger uses the average insured unemployment for the most recent 13 weeks; the denominator is the same as for the weekly IUR.

---

[7] For further information see Employment and Earnings, Notes on Establishment Data.

The FSC program uses the EB trigger rate and an alternative rate called the Long-term IUR (LIUR). The LIUR is defined as the average weekly number of insured unemployed from the week ending January 9, 1982, through the second prior completed quarter divided by the average covered employment for the period beginning January 1982, and ending with the fourth prior completed quarter.

Finally, a "covered unemployment rate" is computed by the States for BLS as part of the handbook estimating process (discussed later). This rate uses UI claims, excluding those with earnings, for the week including the 12th of the month and an estimate of current covered employment.

The total unemployment rate (TUR) is computed by dividing an estimate of total unemployment by an estimate of the civilian labor force (sum of employment and unemployment). Each month, BLS, in conjunction with State employment security agencies, computes a TUR for each of approximately 5,350 areas including all States, D.C., Puerto Rico, all Labor Market Areas, all Standard Metropolitan Statistical Areas, all counties, and some subcounty areas. This is called the Local Area Unemployment Statistics (LAUS) program. For the ten largest States (California, Florida, Illinois, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, and Texas) and two areas (Los Angeles-Long Beach MSA and New York City), Current Population Survey labor force data are used directly on a monthly basis. All other State and area estimates are based on the LAUS handbook method and tied to six-month average CPS statewide estimates, since the sample will not support the direct monthly use of the CPS data. The development of estimates for the latter areas is explained below.

The LAUS handbook estimate of total unemployment for other than direct-use CPS States and areas is the summation of three categories: unemployment related to covered employment; unemployment related to noncovered employment; and unemployment related to new entrants and reentrants to the labor force. The continued claimant figure is the primary element of the estimate of unemployment related to covered employment; in fact, the primary element of the overall estimate of total unemployment. Continued claimants filing for benefits in the local branch offices of the State employment security agencies are matched to their initial claim to provide county of residence. Claimants with any earnings are excluded. The continued claimant figure is the component which is most directly related to UI eligibility. In addition to the continued claimant total, estimates are developed for persons who have exhausted their benefits, delayed or never filed a claim, and persons disqualified from receiving benefits because they quit, were discharged for cause, or for other nonmonetary reasons. Estimates also are developed for Federal and railroad covered unemployment.

For the noncovered category, an unemployment estimate is developed for each industry or class of worker based on historical relationships adjusted by current national trends. The noncovered unemployed includes workers from the self-employed and unpaid family worker group and the noncovered portions of nonprofit institutions, domestic employment, agricultural workers, and State and local government workers.

The new entrant and reentrant category is a composite estimate developed from equations that estimate entrant unemployment as a function of (a) the month of the year, (b) the level of the experienced unemployed, (c) the level of the experienced labor force, and (d) the proportion of the working-age population that is considered youth.

ES-202 covered employment is the basic element of the handbook employment estimate and represents employment for counties by place of work. In the annual benchmark process, all employment reported statewide rather than in particular counties is allocated to individual counties. The benchmark ES-202 employment is brought forward to the current month using the estimates of month-to-month changes from the BLS 790 survey. This monthly place-of-work estimate is adjusted to reflect place of residence as used in the CPS. Factors for adjusting from place of work to place of residence, multiple job holding, and unpaid absences have been developed on the basis of employment relationships which existed at the time of the 1970 Decennial Census; 1980 census data are not yet available at the required level of geographic detail. Estimates of employment for workers not covered by the payroll survey, such as agricultural workers and self-employed and unpaid family workers, are developed using special surveys, national historical relationships, and census data.

To bring the State handbook estimates into conformity with national definitions of employment and unemployment and to provide a uniform basis for making State estimates which are not affected by differences in State UI laws, the estimates for the current month are adjusted using the ratio of the CPS to the handbook estimates for the most recent six months. Except on an annual average basis, the State data will not add to national totals obtained from the CPS, since most monthly State estimates are not based directly on the CPS. Because of data limitations, seasonally adjusted data are not available for most States.

To obtain an estimate for a given Labor Market Area (LMA), defined later, a handbook share is computed for that area. The handbook share is defined as the ratio of the area's handbook estimate to the sum of the handbook estimates for all LMAs in the State. This ratio is then multiplied by the current,

CPS-based statewide estimate (either the moving average ratio adjusted handbook estimate for States or the CPS estimate, in the case of the ten largest States) to produce the final adjusted LMA series. To obtain current estimates of employment and unemployment for counties within multi-county LMAs, and subareas within counties, disaggregation techniques are used. Disaggregation involves the proration of the LMA estimates to subarea jurisdictions by one of three methods, depending on available data: population-claims, census share, or population share. Almost all LMAs are disaggregated using the first method.

The TUR estimates are developed on a monthly basis and represent unemployment and employment for the week including the 12th of the month, to coincide with the national CPS data. The preliminary estimates (for other than the 10 CPS States) are available nine to ten weeks after the week of unemployment. The preliminary data are revised and subject to three benchmark changes at later dates, up to three years after initial publication.

The major uses of area employment and unemployment estimates are for analysis (measuring the economic health and potential impact of economic changes in areas) and for administration of laws and programs (planning employment security and occupational-training needs).

Accuracy of Unemployment Rate Estimates

Total Unemployment Rates

Ideally, total unemployment rates would be computed using a complete count of unemployed workers and all those in the labor force. However, this is impossible to do on a regular basis, so that estimates have to be used. Any estimate has a potential error associated with it. The size of this error, however, is difficult to quantify unless the estimate is based directly on a sample survey, in which case the error is inversely related to the sample size. For only ten States and two metropolitan areas is the CPS sample size large enough to provide estimates that meet BLS's standards of reliability.[8] In order to get reliable monthly estimates for all Metropolitan Statistical Areas (defined later), for example, the overall CPS sample would have to be expanded tenfold.[9]

---

[8] "Explanatory Notes", Employment and Earnings, January 1984, U.S. Department of Labor, Bureau of Labor Statistics.

[9] Harold Goldstein, "State and Local Labor Force Statistics", Data Collection, Processing and Presentation: National and

It is impossible to quantify the accuracy of the estimates of substate area unemployment rates currently computed by BLS, but there are several sources of possible error. Because the area unemployment estimates are forced to add to the statewide CPS-based totals, there is sampling error in the estimates. Additional sources of error are introduced by the use of the handbook method to determine each LMA's share of State unemployment. Most components of unemployment, other than the count of UI claims, are estimated using national historical relationships (e.g., new entrants and reentrants), which may not be valid for particular areas. Interarea differences in labor force characteristics may result in consistent under- or over-estimates of particular components for some areas. In addition, some of the relationships are based on out-of-date data and may not accurately reflect the current situation. Methods of distributing LMA unemployment estimates to counties and other areas within LMAs introduce further possibilities for error.

On the employment side, sources of error include the place-of-work/place-of-residence adjustment, because these rely primarily on census data that are updated only every ten years. Agricultural and non-covered employment is estimated using sample surveys and other less accurate methods.

In general, the smaller the area, the more inaccurate the unemployment rate estimate is likely to be. First, there are more estimating steps involved. Second, national relationships are less likely to apply to small areas than large areas. Third, place-of-residence employment adjustments become more significant.

Insured Unemployment Rates

Insured unemployment rates are potentially more accurate than total unemployment rates, because they are based on universe counts of UI claims and of workers in covered employment and so are not subject to sampling error or significant revisions. Possible sources of inaccuracy include misidentification of place of work or place of residence for UI claimants and the use of lagged covered employment as a proxy for current covered employment data. This lag may be quite significant at the area level because of sharp fluctuations in employment. In addition, the failure to assign all UI claims to the correct week is a potential source of error. Using the insured unemployment data currently used in the LAUS program would eliminate this problem, but would make the data less timely.

Local, National Commission of Employment and Unemployment Statistics, Counting the Labor Force, Appendix, Volume II.

Insured unemployment rates however are not comparable across State lines because of differences among State UI laws.

DESCRIPTION OF CURRENTLY DEFINED AREAS

The Federal Government uses several substate geographic divisions of the United States as units for data collection, economic, social and demographic analysis, and distribution of government funds. These funds are distributed based on an area's overall need for aid because of its economic situation. The use of such an allocation device would not necessarily be appropriate to channel benefits to individuals in a given area. Some of these divisions geographically exhaust the U.S. while others are defined for major concentrations of population only. It is the purpose of this section to provide a definition, description, and the current use for some of the major geographical divisions that presently exist.

Metropolitan Statistical Areas

Among the best known substate areas are the Metropolitan Statistical Areas (MSAs), which are descendants of the Standard Metropolitan Statistical Areas (SMSAs). In all States except the New England States and in Puerto Rico, an MSA is defined as a group of counties of at least 100,000 total population containing at least one city or U.S. Bureau of the Census urbanized area (to be discussed later) with a population of at least 50,000. Some MSAs do not meet these criteria but are nevertheless classified as MSAs because they qualified in the past under standards previously in effect.

MSAs are made up of central and outlying counties. A central county is one that contains a central city or has at least 50 percent of its population within the Census urbanized area. Outlying counties are included in an MSA based on their population densities and the volume of commuting to the central counties.

Several areas are designated as Consolidated Metropolitan Statistical Areas (CMSAs) and are made up of two or more Primary Metropolitan Statistical Areas (PMSAs). A CMSA must have a population of at least 1,000,000 with a specified level of intercommuting among PMSAs. A PMSA is a group of counties which qualified as a separate MSA prior to 1980 or one in which local opinion strongly supports separate recognition and which meets certain population and urbanization requirements.

MSAs in New England have similar requirements to the other States except that cities and towns, rather than counties, are used for the definitions. Population and commuting criteria are all similar. In addition, New England County Metropolitan

Areas (NECMAs) are defined using counties, but are not officially designated as MSAs.[10]

The MSA classification was designed for use by the Federal Government in producing, analyzing, and publishing consistent data on metropolitan areas. The basic concept of an MSA is a geographical area with a substantial urban population which is recognized as an integrated economic and social unit. In keeping with this idea, there are many counties that do not belong to any MSA. In addition, several MSAs cross State boundaries.

Since population and commuting patterns change over time, the MSA boundaries and the number of areas is not permanently fixed. At present, there are 257 MSAs and 23 CMSAs made up of 78 PMSAs. BLS has not yet switched to using MSAs, CMSAs, and PMSAs, although this should occur in 1985, and continues to report data for SMSAs, which are similar in definition. Currently, BLS recognizes 323 SMSAs and publishes monthly data for 245 of them.

BEA Economic Areas

The Commerce Department's Bureau of Economic Analysis (BEA) has defined 183 areas called BEA Economic Areas which form an exhaustive division of the 50 States and the District of Columbia (BEA Economic Areas are not defined for Puerto Rico and the Virgin Islands). These areas were first developed in 1969 and last revised in 1977. The approach taken by BEA was to build the areas around centers of economic activity. SMSAs were taken as the basic units with the areas being built up by adding surrounding counties. In parts of the country where SMSAs did not exist, appropriate cities were identified as centers of economic activity and Economic Areas were built around these.

The concept behind BEA Economic Areas was to define geographic areas which represented self-contained economies that import and export goods and services but not labor. An attempt was made to design the areas so that place of residence and place of work would be the same for virtually all workers. As can be expected, such an objective can only be partially satisfied.

In developing the currently defined BEA Economic Areas, three basic sources of data were used: journey-to-work data from the

---

[10] A complete list of MSAs, CMSAs, PMSAs, and NECMAs, with component counties and cities can be obtained from the Superintendent of Documents. The publication is entitled "Metropolitan Statistical Areas, 1983".

1970 Census, 1972 newspaper circulation data, and 1975 commuting data derived from Internal Revenue Service and Social Security Administration records. Commuting patterns were an important factor in the determination of the areas to which the non-SMSA counties were to be assigned.

The BEA Economic Areas were developed to aid in regional economic analysis and, as a result, they often cross State boundaries.[11] BEA uses the Economic Areas to make projections of income and employment for 14 broad industry groups in their study of economic regions. Reports are released at irregular intervals.

Labor Market Areas

BLS defines specific areas as Labor Market Areas (LMAs) and some of these are designated Major Labor Market Areas. At present, there are 335 Major LMAs whose boundaries coincide with the 257 MSAs and 78 PMSAs. The remaining LMAs are mostly individual counties. BLS is currently reviewing the criteria for LMAs and expects to have revised boundaries available during 1985. Every county in the U.S. and Puerto Rico (towns and cities in New England) is assigned to an LMA. Under the current definitions, there are approximately 2,500 LMAs other than the Major LMAs.

In the past, LMAs have been used to define areas for studies by labor unions, businesses, and government, and to allocate federal funds in some non-entitlement programs. For example, Urban Development Grants were allocated using LMAs as were funds from the Public Works and Economic Development Act.[12]

Labor Surplus Areas

In order to help target Federal contracts to localities with high unemployment, the Department of Labor defines Labor Surplus Areas.[13] Employers who agree to perform at least 50 percent of the contract work within a Labor Surplus Area

---

[11] Precise definitions of the areas can be found in the publication titled "BEA Economic Areas," available from the Superintendent of Documents.

[12] Precise definitions of LMAs can be obtained from BLS, Division of Local Area Unemployment Statistics.

[13] A list of the civil jurisdictions used to determine Labor Surplus Areas can be found in the February 1984 issue of "Area Trends in Employment and Unemployment," available from the Superintendent of Documents.

receive a preference when bidding on Federal contracts. In defining Labor Surplus Areas an attempt is made to ensure that Federal contracts are directed to specific localities which have a high degree of labor market slack. As a result, civil jurisdictions rather than metropolitan or labor areas are the basic units which are analyzed to determine if they qualify as Labor Surplus Areas.

Cities with a population of 50,000 or more and all counties are defined as civil jurisdictions. In certain States, townships or towns with a minimum population of 50,000 are also considered civil jurisdictions. The jurisdictions are geographically exhaustive of the U.S. and Puerto Rico.

Designation of Labor Surplus Areas requires the computation of the total unemployment rate for each of the more than 3,000 jurisdictions, under the LAUS program. Under normal circumstances, jurisdictions with rates 20 percent higher than the national average for a specified period are designated Labor Surplus Areas.

Other Areas

The basic units upon which BEA Economic Areas, MSAs, CMSAs, PMSAs, and Labor Market Areas are built are counties, except in New England. Counties are legally defined geo-political entities which evolved in response to the need for local government. They are convenient units for analysis which are widely used in socio-economic studies. In total, there are 3,220 counties in the U.S., Puerto Rico and the Virgin Islands.

The Census Bureau's urbanized areas were designed to include large cities and adjacent territory, not necessarily following county lines. To become an urbanized area, a locality must have a population of at least 50,000 with boundaries based primarily on a population density of 1,000 persons per square mile. Usually an urbanized area is contained within a Metropolitan Statistical Area. There are 3,763 urbanized areas in the U.S. and Puerto Rico. They are used primarily for census data analysis.

Congressional Districts are another geographically designated area. However, these districts present problems for data analysis. Since districts within a State are designed to have roughly equal populations, their boundaries do not necessarily follow the boundaries of counties or other jurisdictions for which data might be available. Some districts contain several counties while some counties contain part or all of more than one district. As they are not attached to any concept of a

labor market, congressional districts are ill-suited as areas for targeting UI benefits.

There exist a number of other areas used by government for a variety of purposes which are not viable candidates for use in the UI program either because they cross county lines or because they are too small and make meaningful data collection difficult. Such areas, with the number of each shown in parentheses, include: Job Training Partnership Act Service Delivery Areas (595), Zip Codes (45,143), Census County Divisions (5,512), Census Designated Places (3,400), Census Tracts (43,350), Census Blocks (approximately 2.5 million), Block numbering areas (3,700), Block Groups (200,000), and Enumeration Districts (over 100,000).

PROPOSED AREA TRIGGER LEGISLATION

A number of bills proposing the use of substate area triggers have been introduced in the first session of the 98th Congress. All except one bill provide for using area triggers on an optional basis. Accordingly, a State may pay extended benefits on an area basis rather than a statewide basis. The bills propose varying definitions of substate areas, triggering mechanisms (measure or rate, level, computation), and eligibility provisions. Briefly, the area definitions proposed are as follows:

- any area designated as an economic area by the Bureau of Economic Analysis, Department of Commerce.

- any area designated by the Secretary of Labor as a contiguous population center with a population of at least 250,000 within a State, or all other areas of the State not within any labor market area (i.e., balance of State area).

- any area designated by the Secretary of Labor as a contiguous population center with a population of at least 50,000 within a State, or all other areas of the State not within any labor market area (i.e., balance of State area).

- any area designated as a Service Delivery Area under the Job Training and Partnership Act.

- any county or equivalent of a county.

The number of areas corresponding with each definition are provided elsewhere in this paper.

In terms of the triggering mechanisms, the bills propose various measures or rates, levels, and methods of computation.

46-655 O—85——4

Most of the bills provide for program on status in all areas if a State measure meets a specified level, or on status in a given area if the area measure meets a specified level. The various mechanisms proposed are as follows:

- State IUR of 4.0 percent and 120.0 percent (of average IUR for corresponding weeks in previous two years) or 5.0 percent, 13 week moving average or an area IUR of 5.0 percent for the most recent three months; rates are calculated using State UI claims under the regular, EB, FSC, and additional programs.

- State IUR of 4.0 percent and 120.0 percent (of average IUR for corresponding weeks in previous two years) or 5.0 percent, 13 week moving average or area IUR of 5.0 percent for most recent three months; rates are calculated as under present law.

- State IUR of 5.0 percent and 120.0 percent (of average IUR for corresponding weeks in previous two years) or 6.0 percent, 13 week moving average, or an area TUR of 8.0 percent, most recent three months, seasonally adjusted; IUR is calculated as under present law.

- area IUR of 5.0 percent, 13 week moving average, calculated using State UI claims under the regular, FSC, and any Federal temporary unemployment compensation programs or an area TUR of 12.0 percent and 175.0 percent of U.S. TUR or optionally a State IUR of 6.0 percent.

- area IUR of 6.0 percent, 13 week moving average based on claims by place of work.

- State or area base average unemployment rate (BAUR) of 4.5 percent and 120.0 percent of BAUR for corresponding week one year previous or 5.5 percent; BAUR is the average of the 13 week moving average IUR calculated as under present law and the TUR for most recent three months.

- State TUR of 7.0 percent, most recent three month average, seasonally adjusted or area TUR of 9.0 percent, most recent three month average, seasonally adjusted.

- State or area TUR of 9.0 percent, most recent three month average, seasonally adjusted.

With respect to individual eligibility, most of the bills base eligibility on the place of last employment. The specific language (in H.R. 2169) states that "to the extent that an extended benefit period is not in effect in all areas of a

State, the determination of an individual's period of eligibility or of whether there is an extended benefit period applicable to the individual shall be made by reference to the area in which the individual was last employed during the base period for the benefit year with respect to which such individual most recently received regular compensation." One bill bases individual eligibility on place of residence or place of last employment.

SUMMARY -- DATA ELEMENTS/AREA DEFINITIONS

The key points made in the preceding discussion are as follows:

- The present Federal-State extended benefit program operates at the State level only. Statewide trigger rates are computed based on the claimant's place of work (State level) or place of residence (if the claimant moves to another State).

- Individual eligibility for EB is initially determined by the EB status of the State in which the claimant was last eligible for regular UI benefits. If an EB claimant moves to a non-EB state, however, only two additional weeks of benefits are paid. Claimants who have worked, and currently reside, in a State not triggered on EB, would not be eligible if they moved to an EB State.

- Interstate agreements exist that allow for the payment of UI benefits across State lines. Identification is made of the claimant's county of residence but not place of work.

- The current Federal and State data collection system provides some data at the county level. These include claims for unemployment insurance by place of residence and covered employment by place of work (with some notable problems as discussed above).

- In addition to county of residence, claims data are available by place of filing, i.e., the local office within a State where claimants file their current claim. Also, claims are available by place of residence for most incorporated places of more than 2,500 population.

- Data are not currently available on unemployment by county of work.

- For ES-202 purposes, employers may report employment by county or, if certain conditions are met, may report all employment for an entire State from a single county.

- Adjustment procedures are in place to convert employment by county of work to county of residence, but the resulting data are subject to error since the procedures rely primarily on census data updated once every ten years.

- TURs that meet BLS standards of reliability are available only for the ten largest States and two metropolitan areas.

- Accuracy of data used to compute the TUR for an area diminishes as smaller areas are used.

- IURs are more accurately measured than TURs, but they are not comparable across State lines and may have problems resulting from failure to assign all UI claims to the correct week and from using lagged covered employment.

- Automation of State administrative procedures is incomplete with some county level estimates and reporting accomplished by hand tabulation while others are completely automated.

- There are a number of different alternatives which are currently used by Federal agencies to define substate areas. Regardless of the area definition chosen there are numerous issues which must be dealt with including the feasibility of data collection, differences in State law determining eligibility (applicable if areas cross State lines), and the increase in administrative costs and potential for increased errors as the number of areas increases.

ISSUES TO CONSIDER FOR ANY SUBSTATE AREA PROGRAM

It is clear from the preceding discussion that some types of substate area data are currently available within the existing resources of the Federal-State data collection system. It is also clear that data do not currently exist to allow implementation of an area program in exactly the same form as the present Federal-State EB program.

If a substate program were to be put in place, several issues would have to be addressed in its design. These issues include the following:

Trigger Rates

In the substate are
TURs and IURs have
The differences bet
and accuracy must b
unemployment, the I
IUR measures unempl
system; the TUR mea
individuals seeking
be competing for th
benefit extension p
status to be affect
not eligible for UI
disqualified worker
On the other hand,
laws and administra
across States.

TURs at the State l
subject to relative
if an area triggers
and the revised rat
vice-versa. Should
in the opposite cas
be frozen, as is the
currently using TUR
three year period over which revisions are permitted this
problem could recur several times for a given area.

Some States currently compute TURs, for use in operating State programs, that are different from the official LAUS rates. These would cause confusion and controversy. Whichever rate were chosen, it would have to be computed in the same way for all areas.

TURs are currently computed for counties and many subcounty areas, while IURs are not. IURs (statewide) are available sooner than TURs, but this might not be true if UI claims were reported using LAUS program standards (i.e., correctly assigning claims to the week of unemployment).

Another issue concerning the TUR and IUR is the changing relationship or the widening gap (difference) between the two. On the national level, the gap averaged 0.6 points in the 1950s, grew to 1.3 points on average in the 1960s, and to 3.1 points during the last five years of the 1970s. By 1983, the gap had reached an annual average of 5.7 points. On a monthly basis, it peaked at 6.2 points (based on seasonally adjusted series) in June 1983. For February 1984, the gap was 5.0 points, the lowest since June 1982. On a State-by-State basis, the 1983 annual average gap ranged from a high of 9.5 points in

West Virginia to a low of 2.3 points in North Dakota. While the gap on a substate area basis is not available presently, it can be expected that the range would be even greater than that among the States.

In a static sense, some of the difference between the two measures can be explained by definitional variations. Changes in the gap over time can be explained by the dynamics of the U.S. economy and especially by changes in the composition and structure of the work force (shifts in demographic, industry, and occupation mixes). However, the fact that the gap recently has been expanding at a fairly rapid pace has caused a great deal of concern among Federal Government administrators and policymakers.

DOL has undertaken a comprehensive review of the gap issue. To date, the DOL study of existing data and other information appears to indicate that no single factor has caused the rapid increase in the gap between the IUR and TUR. Rather, a combination of factors seems to have influenced the IUR-TUR relationship. The primary contributing sources of the gap appear to be the lack of UI coverage of new labor force entrants and the changing composition of the labor force (i.e., economic factors) and changes in State qualification and disqualification provisions, pension deduction, and taxation of benefits (i.e., programmatic factors).

The gap between the IUR and TUR is presently not very predictable. The implication of this is that the IUR is not a reliable proxy for the TUR if one wants to measure the condition of the overall labor market. On the other hand, this unpredictability contributes significantly to the inaccuracy of a claims-based TUR estimate.

Final payments (exhaustions) are also a measure of unemployment. However, there are serious definitional problems involved in computing exhaustion rates. If first payments are used as the denominator, the time period to be used is difficult to define and the rates may be unstable from month to month. If covered employment is used as the denominator, the current exhaustion rate may not be a good indicator of the size of the population of potential extended benefit claimants.

Another trigger measure presently in use in the UI program is the LIUR, which is similar to the IUR but is computed using UI claims over a long period of time. The LIUR, then, is slower to respond to changes in labor market conditions. The LIUR was introduced into the FSC triggering mechanism to take into account the fact that in the early stages of an economic recovery, the decline in the IUR is caused as much by high levels of benefit exhaustions as by an improving labor market.

Rate Computation and Trigger Criteria

Once a basic measure of unemployment is chosen, there are several issues affecting its computation and use. Should the unemployment rate include those who live in an area or those who work in an area? State and substate TURs are currently computed based on place of residence, while State IURs are mixed.

Over what period should the unemployment rate be calculated and how often should the rate be recomputed, weekly, monthly, or quarterly? The current EB trigger is a 13-week average rate and changes every week. The rate is computed over a variable-length period, starting with 13 months and eventually extending to 39 months. The rate is recomputed every 13 weeks. Using a relatively long period reduces rate fluctuations, but the rate may not accurately reflect current labor market conditions.

If IURs are used, should some adjustment be made to account for differences among State laws? States have relatively liberal eligibility rules will have a relatively higher IUR than other States. On the other hand, IURs are currently used in the EB program without adjustment.

Because seasonal adjustment procedures are not considered reliable at the substate level, what techniques, if any, should be used to deal with normal seasonal fluctuations in the area's unemployment rate? If unadjusted rates are used, some areas may trigger on every year because of high seasonal unemployment.

The triggering criteria would also have to be determined. At what levels should the trigger thresholds be set? Should the trigger criteria include a comparison of the current rate to those in past periods, as in the current EB program?

Individual Eligibility

Given that the trigger status has been determined for an area, there are several issues related to the individual claimant's eligibility for benefits. Should eligibility be based on a claimant's place of residence or on place of work? Should the place reference for eligibility be the same as that for the trigger rate computation? One argument for using place of work is that it generally coincides with the area in which the claimant is looking for work.

Using place of work as the basis for claimant eligibility presents a number of problems. If claimants had multiple employers in their base periods, which employer is used to determine place of work (most recent employer, last in base period, employer with greatest proportion of wage credits?

Also, individuals who work at more than one job site (e.g., construction workers, traveling salesmen) would present a problem. These problems exist in the current program but would be greatly magnified in an area program.

Verification of place of residence would be much more difficult than place of work. There would also be problems with claimants who change their residence. Should a minimum qualifying requirement be established for length of residence? If not, there is an incentive for claimants to move to an area which is triggered on. If claimants move from an area which is triggered on to one that is not, should they continue to receive benefits?

Area Definition

Choosing the proper area for any program is a complex process. A number of factors, economic, social, and political, must be assessed. In addition to these considerations, basic decisions with respect to the individual areas must be made. Some of these decisions are discussed below.

If the chosen areas are not an exhaustive division of the State, then the balance of State area must be considered. In most cases, the remaining territory may not be a cohesive economic or geographic unit.

With respect to geographic size, if relatively large areas are used, many of the above mentioned problems will be reduced. Place of residence versus place of work becomes a less significant issue, unemployment rates are likely to be more accurate, and administration is less complex.

Selecting an area definition differing from those in general use could be a problem. While it would be difficult to comment without knowing the actual definition, any plan which does not use at least the county or its equivalent as the core would greatly compound the reporting and administrative problems. Also, as discussed above, crossing State lines within an area leads to additional complexities. Therefore, it would in all likelihood be expensive, and time-consuming, to consider establishing areas beyond those discussed.

Administrative Problems and Costs

To the extent that a proposal adds to the workload and record-keeping functions of the State agencies, the Federal Government, or employers, without offsetting decreases elsewhere, administrative costs will increase. The complexity of a proposal and the extent to which it differs from existing programs will also affect any change in the level of resources required. Implementation of an area extended benefit program

on top of existing programs, would clearly involve additional administrative effort and cost for States, the Federal Government, and employers. The magnitude of the cost increases would be determined by the design of the program.

Administrative costs and complexities would depend on the features of the program. An important factor is whether eligibility is determined by the claimant's place of residence or place of work. No State is currently equipped to verify place of residence since only the mailing address is required on the initial claim form and often that address is different from the place of residence. Place of work is more easily verifiable, but would put an additional reporting burden on employers because claimants often did not actually work at the location from which wages were paid. In addition, it is difficult to determine place of work in certain cases, as discussed earlier. Although State of work must be determined in the current program, going to an area program would make the determination much more difficult. The number of possible places of work would increase from 53 to at least several hundred. The number of difficult determinations would thus increase greatly.

The choice of trigger rates would have an administrative impact. The only rates currently available for substate areas are monthly TURs for the week including the 12th of the month on a place-of-residence basis. These rates do not meet BLS standards of reliability. Use of any other rate would involve additional effort for State agencies and the Department of Labor. For example, to tabulate UI claims by place of work, States would have to change claim forms, coding instructions, and computer programs. Using weekly rates would put an additional burden on State agencies.

The larger the number of areas, the more administratively difficult the program would be. In particular, more trigger rates would have to be computed and more difficult place of work or place of residence determinations would have to be made. Every local office in every State must be notified of the status of every area in the country in order to determine eligibility for claimants who have moved.

The length of time benefits are triggered on affects administrative costs. Some minimum period should be established to limit the number of times the duration or status is allowed to change. The length of the period determines the number of changes a State may have to consider. Longer periods may reduce administrative costs but may also increase benefit outlays.

A program with single duration for all States would be easier to administer than one with several tiers of duration (e.g.,

the current FSC program). As the number of areas increases (above the current number of States) the potential for the number of different determinations of individual claimant entitlement increases also. If areas change duration, redeterminations based on the change may have to be made. Again, while the techniques would be similar to the current FSC program, the number would be dependent on the number of areas and how often duration in the area changed.

Whatever proposal is considered, the question of appropriate lead time before implementation must be considered. Even if the program is optional, State legislation, additional data and data handling techniques, and regulations and administrative procedures, would most certainly be required. How much lead time should be provided for start up? If conforming State legislation is required, it may take up to two years before all legislatures meet, although provisions may be included to allow States to opt in within a specified number of days after their legislature meets. If additional data are required before a program is implemented, the proper lead time may vary as a function of the level of automation in data compilation and reporting within each State. Although States have made significant strides in automating over the past decade, making changes in reported data items, frequency of reporting, etc., would probably require additional resources as well as considerable lead time for reprogramming. In addition, each State law and administrative procedures are different: what may be relatively simple to implement in one State may be extremely difficult in another.

All of the administrative costs of current UI programs are paid for from Federal unemployment taxes. The source of funds for the additional costs of the substate programs would have to be determined. While EB funds come from revenues paid by all employers, the argument may be made that State economies are interrelated and therefore socialization of costs is justifiable. This argument loses some force as smaller areas are considered where an isolated event may cause an area to trigger on, e.g., mismanagement of a plant in a given county with a small industrial base, etc.

The cost of any new program involves startup and ongoing costs. The costs are relatively higher when the program differs from programs currently in existence. This is the case for both State administration and for employers. Any proposed program may have significant implications for increased costs and options for dealing with the problem should be considered.

If areas are defined across State lines, the definitional and administrative problems may be even more complex than those discussed above. States have different eligibility and qualifying requirements, different benefit levels and different

durations. Interstate areas would require definitions as to which rules would apply to claimants from each State within the area.

Other Issues

There are many issues to be considered when the feasibility of substate areas are considered. Some of the issues are discussed briefly above, others are not. The issues presented here are not meant to be exhaustive.

A primary issue is whether a program implementing substate area extended benefit triggers should complement or substitute for the present Federal-State EB program. Adding such a program on top of EB would increase outlays from the Unemployment Trust Fund and thereby increase outlays from the Federal budget. Additional employer taxes would be required to finance the program. A program to substitute for the current program may have a positive or negative impact on outlays depending on its design.

If Federal legislation were to make State participation voluntary, the State could then choose for itself whether or not it wished to participate, but this would still leave unanswered such concerns as: how to provide funding for benefits and administration, how to handle interstate claims, whether to allow the State more leeway in determining eligibility and qualifying requirements, whether States should have some say in setting the level of unemployment required to trigger an area on, and whether States should be able to set their own areas within some general guidelines.

The issue of program financing would also have to be addressed. Should the program be financed like the present EB program, in which the States and Federal government share the costs equally, or should States bear a greater proportion of the costs of making benefit payments in pockets of high unemployment?

CONCLUSION

In its charge to the Department of Labor, the Congress asked that a study be made to determine the feasibility of using substate areas for paying unemployment benefits. In the conclusion of this report, it must be said that the basic data elements necessary for creation of a substate benefit program do not exist in a form which makes establishment possible within existing administrative, program, or State legislative constraints. It is possible to define areas and to identify individuals who either live or probably work in those areas, but it is not possible to measure with sufficient accuracy the

unemployment rates for those areas and create a program which is similar to existing UI programs without extensive revisions in the amount and type of data collected and in UI administrative mechanisms. The necessary combination of elements may be obtainable with careful program design, sufficient resources, and adequate lead time to put each in place.

While implementation of substate programs may be technically feasible if proper lead time and resources are made available, many major issues remain and must be answered before implementation may be considered. These include: administrative complexities associated with operating a program of extended benefits in areas far outnumbering the current 53; uncertain, but greatly increased, costs related to data collection and program administration and the time required to establish the collection process; and the degree of equity among claimants, among areas, and among States.

GLOSSARY

EXHAUSTION (EXH)-------	A claimant who has drawn the final payment of his/her original entitlement for a given program.
EXTENDED BENEFITS (EB)-	The supplemental program that pays extended compensation during periods of specified high unemployment in a State to individuals for weeks of unemployment after exhaustion of regular UI benefits. EB is funded on a 50%/50% basis using State trust fund monies and Federal FUTA revenues.
FEDERAL UNEMPLOYMENT--- TAX ACT (FUTA)	Chapter 23 of the U.S. Internal Revenue Code (Sections 3301-3311). Used in this report to refer to the revenue generated by the Federal portion of this tax. Currently the tax rate is 0.8% on the first $7,000 paid to each employee covered under the UI program.
FEDERAL SUPPLEMENTAL--- COMPENSATION (FSC)	The supplemental program which pays compensation to individuals who have no remaining entitlement. The program is fully funded from Federal general revenues.
FIRST PAYMENTS (FP)----	The first payment for a week of unemployment claimed under a specific program. This is used as a proxy for "beneficiaries" under a specific program.
INITIAL CLAIMS (IC)----	Any notice of unemployment filed (1) to request a determination of entitlement to and eligibility for compensation or (2) to begin a second or subsequent period of eligibility within a benefit year or period of eligibility.
INSURED UNEMPLOYMENT--- RATE (IUR)	The number of weeks claimed for the week including the 12th of the month, divided by the average number of workers covered by UI in the first four of the five completed quarters prior to the quarter for which the rate is computed.
REGULAR BENEFITS (RB)--	The benefits paid to individuals under a State program. Usually the first 26 weeks of benefits.

REVENUE (STATE)-------- Funds deposited in State accounts in the Unemployment Trust Fund (UTF). These revenues are used to pay State UI benefits and the State share of EB.

TOTAL UNEMPLOYMENT----- The number of individuals 16 years of
RATE (TUR) age or older, who do not have a job but are available for work and actively seeking work for the week including the 12th of the month, including individuals on layoff and waiting to report to a new job within 30 days, divided by the number of workers in the civilian labor force. The civilian labor force is the sum of the number of individuals who are either employed or unemployed for the week including the 12th.

TRUST FUND (TF)-------- The individual State account in the Unemployment Trust Fund. The reserves available to a State to pay benefits. The "months of benefits" shown, represents the number of months benefits could be paid if benefit payouts continued at their most recent levels and there were no additional funds collected.

UNEMPLOYMENT TRUST----- A fund established in the Treasury of
FUND (UTF) the United States which contains all monies deposited by State agencies to the credit of their unemployment fund accounts and Federal unemployment taxes collected by the Internal Revenue Service.

WEEKS CLAIMED---------- The weeks filed by individuals for intrastate continued claims and (for the agent State only) interstate continued claims for which a waiting period credit or payment of compensation is requested.

Chairman FORD. I am not sure which member you are making reference to, but I thought Mr. Levin—I do not think he had that direct quote as related to the study itself.

Now, the official position of the administration is the position you have just outlined to the subcommittee, is that correct?

Mr. O'KEEFE. Yes, sir.

Chairman FORD. And that is that we should not move forward to extend the Federal Supplemental Compensation Program.

Mr. O'KEEFE. That is correct.

Chairman FORD. Is there any alternative plan, other than what I have heard from the administration today that might be acceptable by the administration if there is not an extension of FSC? Is there any alternative plan that the administration might consider and be accepted and supported by the administration as related to extended benefits or to try to respond to those States that are severely suffering a high unemployment rate?

Mr. O'KEEFE. Mr. Chairman, in our 1986 budget proposals, what we are putting forward is maintenance of the current policies that we have in place. As I indicated both in the summary remarks and in my full remarks that we submitted for the record, it is our view that the basic unemployment compensation system is operating quite well, that the extended benefits program with the triggers that are in place to bring it on line, if we do go into a recession, as you were speculating this morning might be a possibility, would be there to respond for periods of higher unemployment. We have a program of employment services for those who are structurally unemployed, and I think when we look at the FSC Program and look at those individuals who are receiving benefits from it, we have to recognize that those individuals are probably not employed because of temporary problems. What those individuals would be referred to in economics are people who are structurally unemployed. Those people would have to look at alternatives in the labor market, and giving them 6 or 8 weeks and passive income transfer is not going to resolve the problems that those individuals have, which is becoming competitive for the job opportunities that exist in the economy. And over the last roughly 24 months, we have added over 7½ million new jobs to the economy. Adjustment may require some relocation, but we have to encourage those individuals to prepare themselves anew for the opportunities that exist.

Chairman FORD. We appreciate the 7½ million new jobs that have been created according to this administration. But we are also concerned about 8 million people who are unemployed. We are also concerned about the recipients of the FSC Program, knowing that as of March 31 of this year, that program will expire. We also know that these people have to search for work, and they have to accept most jobs that are available. The fact that they still receive the FSC indicates to me, and hopefully it indicates to you and this administration that these people cannot find a job. People are, in fact, searching for a job, and I am concerned, and I think other members of this committee, as well as those who testified before this committee, expressed to this committee earlier today that what happens if the expiration of FSC takes place on the 31st of March, and we do not have anything in place as it relates to unemployment compensation, what are we going to say to them? What

will Mr. Pease say to the people in his district, and what will other people say when high unemployment in their districts occur? What is the message they will carry back to their districts? Saying 7½ million new jobs are created—what do we say to those who have not been fortunate who have been part of that 7½ million, to have been dependent upon the FSC, as well as the other compensation benefit programs?

Mr. O'KEEFE. You are confronted with a need to respond to them in a couple of ways, Mr. Chairman.

I agree with you that most individuals who are collecting FSC are not doing so because that is their chosen career path. They are doing so because that is the alternative that is immediately available to them.

But I think——

Chairman FORD. Why take it away from them?

Mr. O'KEEFE. Mr. Chairman, right now many people are going off of the FSC Program. Let us not forget that, that right now we are not entitling those individuals to a lifelong benefit, and there is a reason for that, because we recognize that there comes a point when the individual has to take responsibility, get out and get that job, because we cannot continue to just passively transfer the income from one pocket to the other. That is why we have put in place our retraining programs.

Chairman FORD. These people are searching. They are looking, trying to identify jobs. They want to get into the work force. They will have to admit that. They will have to accept even a minimum wage paying job. We are talking about people who are searching, looking for a job to be in the work force.

This 6 more weeks, 13 more weeks to identify some type of employment in the work force. What do we say? What is the administration trying to say to the people who will be affected by this?

Mr. O'KEEFE. Mr. Chairman, when people search for jobs, they do so in a very rational fashion. They take stock of themselves and they take stock of the resources that are immediately available to them, and they set what one will call a reservation wage, and they will say I am not going to accept a job below this wage because I think I can command greater in the market and they will set other parameters on their job search, that they are searching only in the immediate labor market area in which they reside, and they will not look for jobs outside of that.

What happens as time passes and they begin to recognize that they have exhausted some possibilities within that set of standards that they set for their job search, is that they change those standards. And what we have to do when we make available an income transfer——

Chairman FORD. That does not apply to FSC. Federal law does not allow that. You know, under the Federal Supplemental Program, the law says they will have to accept any minimum wage job that will be available to them.

Is that correct?

Mr. O'KEEFE. Yes, sir.

Chairman FORD. And I understand you accept the rate that is set in 11 States to be accurate. Is that correct?

Mr. O'KEEFE. In 11 States, the Bureau of Labor Statistics publishes on a monthly basis, the statistics on the labor force employment and unemployment. I think that the Bureau of Labor Statistics is world renowned for its competency in putting together this data.

Chairman FORD. Mr. Pease can speak for his own State, but I think there is a rate of 8.4 percent in Ohio; Illinois had 9.1 percent; Michigan had about 11 percent.

None of these States is triggered on the EB Program. It is the position of the administration that no unemployment benefits beyond the regular State benefits should be paid in these States. Is that correct? Is that what you are telling us? Is that what you said to this committee in your testimony?

Mr. O'KEEFE. That is correct, Mr. Chairman.

Chairman FORD. Is it possible for the administration to really take that position, knowing that there are States in this Nation, large States with high unemployment, no way of triggering on the extended benefits, knowing that there are only three jurisdictions that are triggered on it at all during this particular time, looking at Michigan, Ohio, Illinois, and some of the other big States, what you are saying—the administration is saying to this committee and to those States and to those who are recipients of FSC, and to those who would be recipients of extended benefits, that many of these recipients, even though the Congress has to come back, and we came back in the last Congress and we added a provision for the reachback for many of the unemployed, and there is a possibility that we will consider a reachback provision in the bill that will be reported out of this committee, because I think that this committee is committed and concerned with those who have exhausted their State benefits: For those who are in the job market, and now they are searching every day and they are recipients of the Federal program, that under Federal law they will have to accept any minimum wage job if they are going to be recipients. And I am hearing from this administration, you know, that States like Ohio, States like Michigan and States like Illinois, high unemployment, and not even talking about the substate triggers and high pockets of unemployment in States where you might have relatively low unemployment, but in other pockets of the States that you might have unemployment double or two and a half times of the State itself, I cannot believe that the administration has no alternative plan, not sending a clear message to those who are recipients, those who are out of work, who have been forced out of work through no fault of their own, that this administration is saying to the subcommittee today through economic growth, and through all the other policies of the Reagan administration, that we need not tackle with, look at or make any additional changes in FSC, or any commitment whatsoever as it relates to the Federal unemployment compensation or extended benefits or FSC benefits. That is the clear message.

Mr. O'KEEFE. Mr. Chairman, you put before me a very difficult statement to respond to. Let me try to take it piece by piece.

Chairman FORD. What you are saying is——

Mr. O'KEEFE. Mr. Chairman, I think there is a very important point in the States that you choose, and let me take just the three that you chose. The unemployment rates as reported by the BLS

for January 1985 are roughly the magnitudes that you talk about, but let us compare that with a year ago——

Chairman FORD. You have told this subcommittee today that the position of this administration is that the permanent EB Program is working, although there are only three jurisdictions that are now triggered onto the EB Program. That is what you have indicated to this committee today, and you are on record as saying that this program is working. That is what you have testified before this committee today and said. Is that correct?

Mr. O'KEEFE. Not only is it working, but it is working the way the Congress bought off on over 4 years ago, and it is working because this economy has been recovering. Let us look at the three States that you have raised. Look at their unemployment rates today as opposed to a year ago. In every case there has been a significant reduction in that rate. My eyeball calculation has indicated that those States that you have identified—Illinois, Michigan, and Ohio—are down by 10 percent over a year ago. And that represents the policies that we have put in place. We have placed a foundation underneath this economy, so it is going again. We have begun the process of getting the public sector out of intervening unnecessarily. We cannot use our system, a system that is designed to provide temporary relief to those who are voluntarily unemployed, to become a lifelong income transfer program. It has triggered off in those States because conditions have improved.

Chairman FORD. That is not acceptable to this committee. These are frightening percentages when we see the States that we have talked about, as well as other States; 7.4 percent unemployment in this Nation, even though this administration is claiming 7.5 million new jobs in the work force, hopefully, that is the case, but it is still unacceptable. Eight million people out of work, and we are talking about an FSC Program, and how the 1981 Reconciliation Act has damaged and caused only three States to trigger on the Extended Benefits Program. Two States and Puerto Rico, and it is still unacceptable.

Mr. O'KEEFE. Mr. Chairman, the 7.4-percent unemployment rate is unacceptable to all of us.

Chairman FORD. The administration has not voted down——

Mr. O'KEEFE. We are not going to bring it down by spreading compensation. We are going to return to the economy the vibrance that is derived from its market principles, not from its income transfer principles.

Chairman FORD. I missed the latter part. Mr. Pease has passed a note to me, and you were saying something, and I am obviously sorry that I missed what you were saying, about 7.4 percent of unemployment is unacceptable to you and the administration as well.

Mr. O'KEEFE. I think there is no question that we find the current rate of unemployment unacceptable, and what I was saying is we are not going to bring that down by extending the size and length of the Unemployment Compensation Program. We are going to——

Chairman FORD. While those new jobs are fine to be created, whatever, the administration would have to extend some Federal benefits to those 8 million people. I am saying to you, people who are forced out of the work force, through no fault of their own, you

are telling me that we ought to just say to them that regardless of their values, regardless of their occupations, and providing for their families, and all, and many homeowners, many of them in the work force, and paying taxes to a system that they have given so many years to, that we ought to just dump them out in the midst of nowhere, until the Reagan administration creates the type of job to be needed to enter back into the work force?

Mr. O'KEEFE. No, what we are saying is that under the regular Unemployment Compensation Program, which provides benefits for 26 weeks, Mr. Chairman, that during that period the individual needs to look at and assess the opportunities that exist in that market. They have to assess those in light of their abilities, and the signal that we have sent to them is that, during that period of time, take advantage of a program that did not exist prior to this administration take advantage of the Dislocated Workers Program. Get in there. Refurbish your skills. Learn again how to look for a job, and return to work. And I go back to that BLS study that I summarized very briefly in my statement. They found that there were workers who were dislocated temporarily. The vast majority of those people returned to other work. Over half those individuals returned to work at the wage they had been making or greater. It is a very significant study, and we have to look at it, because the American economy derives from the dynamism that comes from people preparing themselves anew for what jobs exist, not to expect the Government to extend these transfers, and say: Here is our signal.

Chairman FORD. Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

I have a couple of questions I want to ask you.

By comparison, our current unemployment rate is the same as it was in 1976–77, and, of course, in 1977 there was a different set of criteria that were used to determine the IUR rate, because you counted people at that time that were on extended benefits, and of course we changed that in 1981.

Chairman FORD. Would you pause a minute? I think under the new rules now we do not take into consideration the military, which is two-tenths of 1 percent, so it would not be the same. Ordinarily, if we were using the definition of the past administration we would have a rate of about 7.6 percent, if I am not mistaken.

Mr. O'KEEFE. Mr. Chairman, the rates for January would have been 7.3 and 7.4, the 7.4 being the civilian rate and the 7.3 being the military.

Mr. CAMPBELL. I am going back to the formula with the IUR's, and that time we did count in that pool those who had been eligible, and, of course, we stopped doing that. We did not have any FSC at that time. We had an unemployment rate at the same rate we have now, essentially, and we did not give any supplemental program.

Can you tell me what we did beyond that, with 7.4-percent unemployment listed, the same as it is now, what did this Government do under a different administration to give benefits, long term, to all of these people? Did we do anything beyond the EB and the regular system?

Mr. O'KEEFE. Mr. Campbell, I would want to defer to Ms. Golding, who is the Director of UIS, to be sure on this, but my recollection is that at that time there was nothing beyond the Regular Benefits Program unless it had been triggered on.

Ms. GOLDING. There had been the earlier Federal Supplemental Benefits Program, which had been earlier in the 1970's, but not at the time you are talking about.

Mr. CAMPBELL. So we went through 1976, 1977, 1978, and when it came to the end of EB—the point I am getting to, when it came to that, the Government did not come in and put in place a totally funded Federal program that automatically extended it.

Is that correct?

Ms. GOLDING. Yes, it is.

Mr. CAMPBELL. When we get to talking about things like heartless, and things like that, I think we need to draw comparisons to know where we are coming from.

The second thing I would like to ask you, though, and I think these have some bearing in the long term, when we make changes. You have talked about the structurally unemployed. Throughout history we have had structurally unemployed people in given parts of this country. They did not move from one part of the country to another, and as industries, you know, came into being, or actually declined, there was a shift, and we saw it. We saw, for instance, industries moved to different parts of this country, and we have seen industries go offshore, and industries come onshore, but what I want to ask you is something else.

In the last 10 years or so, in the labor market, is it not true that we have gone through a period of the largest buildup of new workers, percentagewise, or per capita, in this Nation than ever before with the baby boom coming into the mainstream of the work force?

Is that not a true assumption?

Mr. O'KEEFE. That is absolutely correct, Mr. Campbell. I have not looked at the figures recently, but I recall looking last year at some figures comparing the U.S. labor force to the labor force of the Common Market. They were roughly of similar size. That was equally true back in 1973, just prior to the first oil embargo. It was in that context I was looking at this data. Sometime in 1973, the labor markets of our two respective economies were providing about the same number of jobs, and since then we have added about 20 million jobs, slightly in excess of 20 million jobs. The Common Market countries have on net added no new jobs in that 10- or 12-year period.

Mr. CAMPBELL. Well, one of the reasons for all of the influx into the labor market for people who had not been a part of it are the two-wage-earner families, and things like that. Is not one reason for that the tremendous inflation we have had and the effort of the families to keep pace?

Mr. O'KEEFE. One of the inducements of the labor force participation, particularly such things as the cost of food and housing, did result in a greater number of two-earner families than otherwise would have been the case, yes, sir.

Mr. CAMPBELL. Now, is it not also true that this country has had a declining birth rate, and that, in fact, we have an aging working population in the country, and that as time goes along we are

having fewer and fewer new workers. There was a story in the paper this morning. It says that the military cannot meet its goals because there is a smaller pool of 18-year-olds to draw from. Is that not what is happening?

Mr. O'KEEFE. The baby boom is behind us, and, in absolute terms, there are fewer teenagers than there was a few years ago, and that phenomenon will continue for the remainder of the decade and into the next decade, because those who will be teenagers are already alive. The population growth in this country has definitely stabilized.

Mr. CAMPBELL. The majority of pressure on the population growth in the country has been immigration that has kept us in any type of growth mode. Is that not correct? It has been growing through immigration and not through birth.

Mr. O'KEEFE. What I understand from the immigration numbers, we have been growing faster than we even know. Due to the lack of documentation.

Mr. CAMPBELL. What I am trying to point out, as we look down the road, given the shrinking number of people coming in adulthood over the next decade or so and the job creation abilities that we have, it is apparent to assume that the demand for job creation is not going to be as great to keep pace and that if we keep up with the job creation at the same level that we would have a declining unemployment rate?

Mr. O'KEEFE. Yes, sir; there are some who even have speculated that toward the latter part of this decade, we will begin to see real labor shortages in various labor markets.

Mr. CAMPBELL. I have read some studies on that and, of course, if there are labor shortages in labor markets, the way you fill them is where people shift from labor markets where there is a surplus, and so that could take place internally in the country. The point I am really getting down to is this. I have some concern. I do not necessarily agree with the administration in just saying that is the end of the line. We are going to stop now and stand where we are. I understand what you are saying.

I also do not agree with putting something permanently on the books that is going to act against the natural inclination of people to move into or to move out in search of jobs to change their lifestyles, which most of us are loath to do. We get kind of set in something, but in 1977 we did use a different formula, and if we undertake to change, and I am saying if we undertake to change what we are doing now, would you tell me what position you would have—I am, No. 1, opposed to using the TUR. I do not think that is something that should be used. I will state that right up front.

But would you tell me why we should not use IUR people that are obtaining EB benefits from determining the eligibility in a given area?

Mr. O'KEEFE. Mr. Campbell, that change was made several years ago. In fact, my recollection is the change was made in the prior administration. The arguments for doing that were largely—and there is an internal logic to this—the arguments for doing it were largely symmetrical, that what you should do in triggering on the EB Program is take into account what is going on in the basic program, and it goes to a matter of symmetry. You counted triggering

on the individuals who were regularly collecting compensation, but under the old procedure what would happen is they would then continue to count those people who were collecting under the now-triggered on extended benefits program, thereby raising the calculated IUR for that State. That would cause the extended benefits for them to stay on longer than would be the case if you just continued to look at basic unemployment compensation programs.

The argument was let us have symmetry in turning it off and on and take out the individuals who are collecting the extended benefits.

Mr. CAMPBELL. I can understand that. Of course, I can well understand also how an extended period of unemployment, where you could have an extended TUR and a low IUR, which brings us to the point of confrontation that we might be at today. I am trying to seek a way to deal with the problem that would tend to be logical or reasonable for it.

Now, quite frankly, we are dealing with about three or four big States that have a problem. Let us get down to the bottom line of it. We are not talking about Florida, which has dropped down to 5.9 percent. You are not talking about Massachusetts as a whole which has gone down to 4.4 percent, and I am dealing with TUR's now, not IUR's. You are not talking about New Jersey. We are talking about two or three States or four or five at the most as you look at it. As a whole, and you are talking about other States in pockets.

Now, it has been put forward by both members of the minority party in the House, the President's party, and members of the majority party, the Democrats, that we ought to be looking at some form of trigger for a substate to deal with problems, rather than to put in a program that would just expand across the whole country, which we would do if we extended FSC, or if we changed EB without going through a substate. And you have stated an opposition to substate triggers. You have made the point that, if I recall correctly, and I glanced over the testimony, that the data might not be trustworthy or we might not be able to determine accurately substate situations.

There have been a number of proposals, a proposal made here today to use some existing figures—Bob Michel has a bill in to use SMSA's, which does not quite get to us. Mr. Pease earlier made the suggestion that if we looked at substate triggers, that we ought to set them on the high side because of the potential for error with a narrow data base.

Having said all that and given the general sentiment of trying to deal with that problem, and I will tell you that Mr. Oberstar, I believe, was the one who said this morning that the report said is technically feasible, and the term was technically feasible to do it, not that it would be political or anything else. But having said that, if it is technically feasible to put in place a system that could give us data on which to deal with substate areas, would you still be in opposition to it? And if you would, would you please tell why?

Mr. O'KEEFE. You covered a lot of ground, Mr. Campbell, and there are a couple of points at some point outside the hearing I would like to come back and discuss such as the gap between the TUR's and the IUR's. We should not lose sight of the fact that the

gap is there, and it has changed from year to year. Both the employment and unemployment rate do tend to evidence the same pattern of growth and decline over the course of the cycle.

With respect to substate triggers, the report does say that there is that technical capacity, perhaps, to implement a program of substate triggers. Even within the context of the report we should not lose sight of the fact that it would take us 2 years from the time the decision was made to go forward to obtain the adequate data to implement such a system.

What we would have with substate triggers are several problems that go beyond just technical feasibility, however. There is the problem of inaccuracy, and while Mr. Pease makes a very reasonable suggestion that where you are concerned about the error rates that you might want to set them on the high side, we do not know right now what the range of the error would be, so setting them on the high side would tend, from a technical perspective, to limit the programs triggering on unnecessarily. Those who are proponents of it, I guess, would argue that there is no reason to believe that the error only runs on the high side, and, therefore, you might want to set them low, so immediately you will run into that issue. What we will all agree is that they are inaccurate.

A second thing that we will run into is that there is a tendency, where you increase the complexity of the program, toward inaccurate and inappropriate payments. The Office of the Inspector General has been looking at the Extended Benefits Program and the FSC Program for quite some time now. On the details of it, I would have to defer to Ms. Golding, but in the briefing that I have had on the IG's work, as we increase the complexity of the law, we also increase the number of payments that were questioned, and were questionable, and we have introduced into those State agencies now some problems because of the complexity, and of understanding what the Federal expectations are.

There is another problem with the substate triggers that the data will lag. Even if it were accurate, you get it some time removed from the actual event, 2 to 3 months afterwards, so it is not going to trigger the program with the kind of sensitivity that some people think it has. There is the cost of administration. It is not in the millions, but it will be costly to administer. It will also be costly up front to set up those kinds of triggers, but in all of it what I would come back to, and what my discussion with the chairman has to be focused on, is two aspects that have to do with the labor market itself. No. 1 is the equity, or why should an unemployed person in county A receive the benefit when a person in county B is not receiving it. There is something we once did. We started to look at counties that were adjacent, and what would happen to a Member is that in your district, and your district covers four different counties——

Chairman FORD. Wrong Chairman. One county.

Mr. O'KEEFE. I am sorry. There were three adjacent to it. We look at your circumstance, where your district would not be triggered on under these proposals, and it would be very hard to explain to people across different counties why some of them are getting these benefits and others are not, all things being equal.

Chairman FORD. Just for the record, my district would be triggered on. I do not want the record to reflect that my district would not. [Laughter.]

Mr. O'KEEFE. There is a last substantive point, and this goes back to what we were discussing before, and that is that triggering these areas on is not going to take care of the long-term problem for the unemployed, and that is that we are not obtaining jobs, not because——

Mr. CAMPBELL. Mr. O'Keefe, let me take that point a little bit further. I would tell you that my State is contiguous to North Carolina, and, therefore, the man who lives across the street in my area might very well, because I divide towns, and so forth, too, might very well trigger on or off. I do not think either one of them happen to be impacted. My concern in looking at this, and I will bring it down, and I am taking too much time, Mr. Chairman, and I apologize, but my concern is this. We have problems that are not necessarily State-oriented. They are different areas. A lot of them are industry-oriented. I have towns or counties in my State where we have shut down textile mills, and the whole town has dried up, and the unemployment rate in that town may be 30 or 40 percent. There may be a county next door, where the unemployment rate, the TUR is 6 percent or 5 percent. It does not mean that they can absorb it. The people cannot get rid of the houses they had in a 6-month period. There is nobody to buy them. They have mortgages. They have this situation. If they cannot commute to a place to work and get in, then they are isolated. Those are the kinds of problems that I want to see us try to focus on. They exist in Ohio. They exist in Michigan, and they exist all over the country in pockets, and while we deal with the total State, we do exclude a lot of these small communities.

If we liberalize the system for the country, and on a State basis, then we run a much greater risk of overliberalizing, overpaying, and spending the money. I am looking for some way, somehow, to try to target any effort we make to those communities and areas of States that need the help without expanding the system itself or just saying we will just extend FSC, and everybody come on for 18 more months. I do not think that is a solution, and I am looking for some way to try to target this, and perhaps even to deal with the formula itself in some manner to take into consideration some very, very dire straits that people find themselves in in certain parts of the country. I would hope that if we do explore this that even though you may be opposed for a lot of reasons, that you might assist us in getting the information that is necessary for us to make a decision as to whether, in fact, it is, as you have said, technically feasible. And if it is technically feasible, how should we go at it to address State areas?

Mr. O'KEEFE. Mr. Campbell, the resources of the agency are always available for the committee and its Members to work on proposals, whether we are for it or against it. We have some of the finest technicians in ETA working in the unemployment insurance programs, and they will be available.

One point that I would make, recognizing that States do about each other, I think we also have to recognize that the residents of two different States really operate two different tax structures, and

two different compensation program structures, and we at the Federal level cannot arrogate to ourselves the total responsibility for the solution of these problems. I know you agree with that, and we can look to the States that set up special programs themselves to address some of these. Whether this cuts across State lines, we have sought to resolve those. For example, the textile industry, we have, under the JTPA Program, several projects in place, some in your home State, that are addressing those needs, and it is the best we can do, and that is to prepare the individuals for the opportunities that are going to exist.

No one of these tools that are in our hands is going to be the final solution to these complex problems.

Chairman FORD. So the problem goes beyond just the three States that you made reference to and I made reference to in my conversation. I see that Mr. Campbell is not from one of those three States nor am I from one of those three States, so the problem does go beyond Ohio, Illinois, and Michigan. Is that correct?

Mr. O'KEEFE. Yes, Mr. Chairman.

I think in selected instances that I am very familiar with, the problem shows up in what we would all consider to be close to full employment States. For example, in the copper industry there is a substantial amount of disemployment that has been going on for sometime, and you find communities in very high employment States——

Chairman FORD. Well, I was referring to other States. Naturally, the Secretary knows very little about my area. I invite you to learn more about the unemployment problem that we are faced with in the southern area of this country.

Mr. CAMPBELL. I have three counties and, of course, the chairman—two of my counties are in excellent shape. I have one that is a rural county that operated for quite sometime of a TUR that operated in the high 20's, 27, 28 percent. The plants in that county closed down, and as time has gone along and we have used JTPA very well, and we even used TAA when we could get it, and everything we could lay our hands on, and the plants have closed down. The plants have in some instances begun to come back up. And the rates have gone down. And there has been some outmigration from the county. And that still remains a problem. But that was a problem we couldn't get at. I had about four counties in the State of South Carolina that were that way, extremely high unemployment areas, but we couldn't get at them as it triggered down. I do not know whether we ought to be working with the States to devise a system of some sort that would be a State and Federal cooperative effort to target in these areas under a special targeting mechanism. I do not know whether we should be going to substate triggers.

I am trying to decide some way that we can get in position to aid areas that need it without having to roll the blanket of aid all across everybody else at the same time.

Mr. O'KEEFE. Well, that would not address the counties such as Union County that you are concerned with. The concept of enterprise zones certainly deserves consideration on that basis.

Mr. CAMPBELL. I am a supporter of that.

Chairman FORD. Mr. Secretary, Mr. Campbell mentioned earlier, compared to the rate of unemployment or IUR in the time of 1976,

1977. Your fiscal year goes from September 30—October 1 to September 30?

Mr. O'KEEFE. Yes.

Chairman FORD. What was the dollar amount spent on the EB Program in the last fiscal year? Almost the amount of——

Mr. O'KEEFE. In fiscal year 1984? You are talking current——

Chairman FORD. I want the whole year if I can.

Mr. VAN ERDEN. Fiscal year 1984 was about $60 million.

Chairman FORD. What is FSC——

Mr. VAN ERDEN. $2.98 billion.

Chairman FORD. What are the projections?

Mr. VAN ERDEN. We are projecting FSC to be $1.03 billion through March of this year, also for EB to be about $37 million.

Chairman FORD. The administration talked about no additional benefits beyond the EB Program, and we spent a total of $2.8 million in the program, $2.8 million. We spent about $1.9 billion in fiscal year 1977. So if we look at the total dollar amount that we spent, the total dollar amount in the Extended Benefits Program versus those dollar amounts, relatively the same unemployment problem that we are faced with today, we are faced with at that time according to you, Mr. Campbell——

Mr. CAMPBELL. If you would yield at this point.

Chairman FORD. Be happy to yield.

Mr. CAMPBELL. There are two things. I led him into that because I used a length of time. I would also point out that the dollar in 1976 and 1977 was worth a whole lot more than it was before the last administration finished their job in Washington, and that high inflation rate made the dollar what it is today. I do not know what the valuation is, but you have to say that I do not know what it would take to catch up.

My point was the length of time when the program came to the end and how they removed claimants from the program.

Chairman FORD. I do not want us to focus on the dollar amount that we spent in 1977 and 1976. We come back and make a whole new case. We had unemployment under a different administration in 1977, and we had no problems beyond EB but, at the same time, we look at the dollar amount that was spent in 1976 and 1977 versus those dollars that we spend today, and I think we will see that we are talking around the same dollar amount, the same dollar figures.

Mr. O'KEEFE. Mr. Chairman, I think your historical analysis is accurate. I think what Ms. Golding was responding to was the EB program, and that was phasing out in 1977. What the expenditures were, I am not entirely sure. Mr. Van Erden can speak to that. The Extended Benefits Program was triggered on, as you are saying, but there has been an intervening event roughly in that 8- or 9-year period, and that was that we all looked at the Unemployment Compensation Program and recommended that it was out of control, that it had strayed from its fundamental purpose, that it was no longer a program that was meeting the temporary needs of those who were briefly unemployed, but was becoming a very expensive long-term transfer of payments without any real sense of whether the individual was going to return to productive employment. We got there incrementally. That was not a decision that

somebody made on high and said that is what we ought to do. And that is why in 1981, when these issues were before the Congress, there was overwhelming support of the program to get it back to basics, and I think you properly, from the committee's perspective, have begun to review how well that is working and to see whether there are changes that are necessary.

From where I sit, when I look at how it is operating, I say to you very sincerely, I say it is operating the way we intended. As I said before, it is an effective policy instrument, and we have to be careful in looking back to those earlier periods because there were many programs which were on the books at that time which subsequently have been reviewed, rejected, or revised

Chairman FORD. That is not saying it is not a good program. I guess if that is so, that is one person's opinion. But we are talking about dollar amounts, and Mr. Campbell brought it out. I just want to bring it to your attention that the dollar amount that was spent in those years versus what is being spent now. That is still a problem that is before us, and I do not think we are going to solve that problem. Maybe we should pack up and go and leave the program alone with no extended benefits as related to FSC unless we are ready to propose some type of solution to the problem. But hopefully within the next 5 to 6 six weeks, we will have legislation on the House floor, hopefully passed by the House, that the President will take a look at and see if he can embrace the legislation.

Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman.

Mr. Secretary, I started off with this. You mentioned a minute ago that we all recognized a couple of years ago that the unemployment compensation system was out of control and had to be changed and so on. And you identified the antecedent of "we" in that?

Mr. O'KEEFE. I certainly include myself there, Mr. Pease. I do not know specifically what your vote was in that particular bill, but I do know it must have been the majority in both Houses of Congress because it was passed as an act.

Mr. PEASE. Just so you know, it includes at least Mr. Ford and myself in the definition of "we." That is sort of by the by. I am looking at figures from your Division of Actuarial Services about the outgo and income of the unemployment compensation system, Federal and State, and I just want to ask if I am looking at this correctly.

It seems to say that the benefits paid out in all programs for 1983 are expected to be $15.8—$15.1 billion. Is that correct?

Mr. O'KEEFE. That is correct.

Mr. PEASE. And it says the income will be $4.8 billion from FUTA, $19.4 billion from the States, and it mentions a couple of others which I will not review with you. And it looks to me like the outgo for 1985 is going to be $15.1 billion and the income is going to be $24.2 billion from just FUTA and the State unemployment taxes.

Is that correct?

Mr. VAN ERDEN. The two numbers that you mentioned are correct. In terms of outlays, I think you are talking about benefits, and if you are going to include the FUTA revenues with the State

revenues, you also should include administration which is $2.2 million in outlays.

Mr. O'KEEFE. We are talking about $17.3 billion in outlays.

Mr. PEASE. Is it correct, then, that the unemployment trust funds are contributing $7 billion to the deficit reduction this fiscal year?

Mr. VAN ERDEN. That is true, sir. However, as you realize: there is a debt of $13 billion, so a lot of the surpluses being generated will be transferred back to pay those debts, so your statement is correct.

Mr. PEASE. I understand that, and I am really gratified that at least your projections are that the States debts will be reduced substantially this year and next year, and hopefully get down into manageable proportions before it meets some new emergency. But I find it interesting that trust funds are generating a surplus, and we are helping to reduce the Federal deficits. And if we were to extend the FSC Program or to do something more ambitious, combining EB and FSC, and there would be a dollar outlay attached to it, what we would essentially be doing is making a smaller contribution to deficit reduction than we would otherwise.

Is that a proper way of looking at it?

Mr. O'KEEFE. It would be, Mr. Pease, if it was your view that those trust fund accounts are fundible with the rest of the Federal budget; that is to say, that we could just willy-nilly take the dollars out of that account and apply it to any other function in the budget. When you get to the adding up of the total Federal deficit in a unified budget concept, those accounts, such as the trust fund for Social Security and unemployment compensation, which are building up surpluses in anticipation of future drawdowns, in the former case, because of the large number of retirees in the next century, and in the latter case because of our anticipation that somewhere down the road there is likely to be a downturn, and therefore a decrease in benefits, those are right now running in the black. They are there, they are available, so when the States have to draw down on them, they do not have to pay interest on those borrowings. So I think we have to be careful not to assume that they are totally a part of the Federal budget.

Mr. PEASE. I do not assume that for a moment. But from an accounting point of view, the bottom line of the calculation of what the Federal deficit is going to be, the Federal deficit would be roughly $7 billion higher in 1985 than President Reagan is already projecting it, if it were not for the unemployment trust fund.

Is that correct?

Mr. O'KEEFE. The way I would look at it is that the Federal Government would have to go into private financial markets to borrow $7 billion more were it not for the trust funds.

Chairman FORD. What is the dollar amount they borrowed now, Mr. Pease?

Mr. PEASE. It is going to be about $220 billion. It is going to be better next year, though. At any rate, I guess the point I want to make is that I want to try to view this the way Caspar Weinberger viewed defense spending, and if we do come up with a new Unemployment Program and it does cost a little money, what we will really be doing is making a smaller contribution to deficit reduction than we would otherwise.

Well, let us go on.

Mr. O'KEEFE. That is probably not true, though, Mr. Pease. As I recall the structure of the defense budget, current outlays are based on the authority that was enacted by the Congress in prior years, such that even if you were right now to discontinue a major weapons system there would still be outlays in the current fiscal year. The extension of FSC is a real time expenditure, so if we were to extend it it would cost us, say, for 6 months I believe the figure is about $900 million more. It would increase the deficit. We also have to remember that FSC is not financed from the payroll taxes, as is the regular compensation system, so I think that while in some broad sense the point that you are making may hold, in closer scrutiny it is really not true.

Chairman FORD. Mr. Pease, it is difficult for me to believe that this administration is really concerned about the deficit. We are talking about $220 billion. Do not tell us that. Do not tell us that. Let us see if we can find an additional $1 billion, $2 billion, what difference does it make? $220 billion, why not $222 billion?

Mr. PEASE. Mr. Chairman, if I might jump in at that point, your psychology there has support in writing from no less a fiscal expert than Caspar Weinberger. He was arguing in testimony before a Senate committee 2 weeks ago that it would not do us any good to cut another $6 billion out of defense or to reduce—I have got to keep getting away from that phraseology. It would not do any good to slow down the growth of defense spending by another $6 billion because what would $6 billion be anyhow in a deficit of $230 billion? It is not worth even bothering with. So my suggestion is that if it is not worth bothering with to reduce $6 billion by reducing defense spending, why not extend FSC? There is a good symmetry in reasoning, isn't there?

Mr. O'KEEFE. I guess for those of us who are concerned about the deficit this conversation is what really fuels sometimes a feeling of panic that we are not going to make any real headway in getting control of this behemoth called the Federal Government. What we are talking about is an increment of $2 billion here, $4 billion there. We have legislation before Congress to reduce spending by $50 billion. When we say that somebody does not care about the deficit we have to remember the constitutional responsibilities of the various branches with respect to who proposes and who appropriates money, and the deficit before us is a national problem of gigantic proportions, and what we are doing in the Unemployment Compensation Program can contribute to it, both positively and perversely, but I think more importantly, what we have to do is go back and look at our unemployment compensation program, which in my statement I tried to do, and which in answering your questions I have tried to do. I have not raised the specter of the deficit, because I think we have a program that works, and we do not need to tamper with it in ways that are going to jeopardize that basic transfer of income for the workers of America.

Mr. PEASE. Mr. O'Keefe, time and again in your prepared testimony you justify your position only on the rationality of the unemployment system, but time and again say, in so many words, that we cannot afford it because it would contribute to the deficit.

Mr. O'KEEFE. I do not think I used the term "cannot afford it." What I did point out was that it would contribute to the deficit.

Mr. PEASE. OK. Let us move on. We are getting a little far afield here. I think in response to Mr. Campbell you said that you considered 7.4 percent unemployment to be unacceptable. Did I hear that correctly?

Mr. O'KEEFE. I agreed with the chairman that we found that figure to be unacceptable, yes, sir.

Mr. PEASE. What would you consider to be an acceptable unemployment figure nationally?

Mr. O'KEEFE. Mr. Pease, I have personally avoided for a long time choosing a number. I think a lot of people have said that as long as there is an individual who wants a job, then we have too much unemployment. Over the course of my 15 or 20 years of watching this I have seen people go through full employment definitions. I have seen conversations concerning the accelerated rate of unemployment. I do not think there is a particular number.

What I do know is that currently the level of unemployment that we have is above that which represents the frictional changes that would be going on in the economy, and would include some structural unemployment that we need to address.

Mr. PEASE. Would you consider 6 percent to be unacceptable?

Mr. O'KEEFE. Mr. Pease, I do not know. I think that 6 percent is a range where in most of the analyses that I have seen, the structure of the economy appears to be at full pace at that time, given the number of new entries and local skills. Many people have hit on that number. I have not chosen a particular number.

Mr. PEASE. I just wanted to get your response for the record.

Now, in your written testimony you have discussed H.R. 1072, which I have introduced, but you did not discuss that in your verbal testimony. I just wanted to engage in discussion with you on a couple of points.

You point out, correctly, that under a worst case scenario the maximum potential duration of benefits would be as much as 61 weeks under my proposal, and you contrast that with the current State law of 26 weeks and Federal and State and EB, 13 weeks, and it says there is a difference between 31 weeks and 26 weeks, but in actuality, since my bill would combine EB and FSC, I think it is probably better to compare the current law of 26 weeks State benefits, 13 weeks EB for those two States which were triggered on, and a maximum of 14 weeks under FSC, which is 53 weeks. A maximum.

Now, the unemployment rate is 7.4 percent; 61 weeks would not trigger on under my bill unless the TUR were 12 percent, which it has never been in the last 30 years that I know of. Or when the IUR was 7 percent. A very, very high figure. Do you think that 61 weeks is an unreasonably long rate of time to make benefits available when the national unemployment rate is 12 percent?

Mr. O'KEEFE. In my lifetime, Mr. Pease, as you correctly point out, we have never experienced 12-percent unemployment rates.

As far as I know, in the time that we have data, that occurred in the thirties. I think when we find ourselves in a circumstance where unemployment is that high, what we will be looking at, again, is not whether the unemployment compensation system is

adequate, but whether there are structural reforms that have to be made elsewhere. I would hope that given 50 years without such a circumstance occurring that we are unlikely to see the unemployment rate at that level that you have just hit upon.

Mr. PEASE. In which case we would not provide under my bill any more weeks than the current law does. We have been living with it for the last 3 years.

Mr. O'KEEFE. I am struck by your description of your bill, Mr. Pease, because the analysis that we have done of it does not hit upon the rates that you are using, especially the 12 percent, but as the author of it I am sure you are much more familiar with the details than I am.

Mr. PEASE. It says so right there in the bill. You would get 30 additional weeks if the TUR was 12 percent and the IUR was 7 percent, you would only have 25 additional weeks if the TUR was 11 percent. You would not even hit 36 weeks under my bill—26 weeks of State benefits and 10 weeks of national benefits—unless you had a 9-percent unemployment rate nationally. Does that seem to you unreasonably generous?

Mr. VAN ERDEN. My understanding, Mr. Pease, in your bill those rates are State-triggered rates, and they determine the State TUR's, and there have been States above that; West Virginia at 18, 19 percent.

Mr. PEASE. Let me ask it then in relation to the State level.

Do you think it is unreasonable when a given State has 12 percent, 11 percent unemployment to provide as many as 25 weeks of benefits beyond that first 26? I am just trying to get an idea of what your concept is of what is reasonable and what is not reasonable.

Mr. O'KEEFE. Mr. Pease, rather than answer it in the triggers in your bill, what I would say is reasonable is an unemployment compensation system that is available for workers in that immediate period when they first lose their jobs and begin the process of work search. But when you start talking about 61 weeks, periods of that length, even at those very high levels of unemployment that you have just cited, you are looking at individuals who are unemployed for well over a year, almost 14 months at that point, and their problem is not a simple income problem at that point. This is a point I have made to you elsewhere, last September, when we testified here, that there comes a point in the job search where individuals have to recognize that what they are doing is not resulting in their moving back into self-sustaining employment.

Mr. PEASE. You mentioned that earlier, and let us go back to that for a minute. We are really getting up to the basic question before this committee. It seems to me that your basic feeling is that the 26 weeks provided by the States are sufficient in most cases. You say that after 26 weeks—you talked before about the psychology of the workers. When they are laid off they are not going to accept any old job. They are not going to move out of the State, and so on, and the longer they are unemployed they are willing to change their attitudes about that, and I think you are probably right about that.

It seems to me that your philosophy encourages them to make that adjustment. I am trying to get at the nub of it. After the work-

ers have exhausted 26 weeks of State benefits and goes on EB, or the State is triggered on, in the present law, in most cases, he already must accept a minimum wage job if it is offered to him, so he has got no choice but to rearrange his thinking to accept a minimum wage job or lose his unemployment compensation.

The next thing he has got to do, it seems to me, under your scenario, is to move out, to leave his hometown, his home community, his home State and leave, sell his house, pull his kids out of school, and so on, and I guess the nub of it is at what point do we force a worker not only to accept a minimum-wage job, if he can find one, but to move out of his home community in order to find a job.

Now, as I hear you, it seems to me you are saying 26 weeks. Is that right?

Mr. O'KEEFE. Mr. Pease, let me take your question. At what point do we force an individual to do anything? We are not forcing individuals to do anything. What we are doing is setting eligibility standards for an income transfer program under certain conditions. Those individuals, many of whom are two-family earners, not all, but many, are making rational choices of the opportunities that are before them, the benefits of taking or not taking a job. The jobs that exist in this economy, contrary to the model that you are painting, are not all minimum-wage jobs. In fact, quite the contrary. I went back in my opening remarks and cited that BLS survey of what has happened to the 5.1 million individuals who were displaced during that 4-year period. I would suggest that you might want to look at those tables, and look at what has happened to those individuals.

Over half of them obtained jobs that paid the same or higher than what they were making in the employment from which they were displaced.

Now, obviously, the reverse side of that coin is that almost half of them did not. Of the labor force withdrawals, about 60 percent of those individuals returned to work within that period of time that we were talking about. This is a free economy and a free country, and individuals are making choices. We are not pushing anyone out of their house, out of their district or out of their State.

Mr. PEASE. I beg to differ with you, Mr. O'Keefe. I happen to have an area that is high in unemployment. I have got five counties, three of which are over 10 percent unemployment right now, and have been steady. The others are 8 percent, 8½ percent. When a person gets laid off, there are 26 weeks of State benefits. That person maybe can keep his mortgage payment going if he is lucky. If it is a man and his spouse is working, they may be able to keep a normal—say fairly normal—standard of living for that period of time. But after they run out of unemployment benefits, then they have got to make some basic decisions. They have got to sell the house. They have got to do something. And the question is, is it good for our society to say to people, after 26 weeks, if you have not found another job, you had better start looking out of state, or if you are in Mr. Conte's district, you better start looking around the Boston area and not your home community.

Chairman FORD. And not the want ads.

Mr. PEASE. And not the want ads.

It seems to me it is a matter of philosophy. I am not trying to say that your philosophy is wrong and mine is right, but I think this committee generally has felt that 26 weeks is a pretty short time after which you tell a person effectively your choice is to lose your house or to go to work some place outside your community with all the family breakup problems and dislocation problems that that brings. But as I read your testimony, it seems to me that that is what you are saying. After 26 weeks, you will encourage them to make that hard decision to get in the old truck and move out.

Mr. O'KEEFE. What I am saying, and perhaps I am not articulating this very clearly, this is premised wrongly if we start only after 26 weeks. That initial 26-week period is when we need to get to that worker, especially early on after a couple of weeks, and I am looking at these unemployment rates; in Huron County, it is 13.3-percent annual average. What we should be saying to those individuals at the beginning of that 26-week period, Mr. Pease, is that they have to start looking at options. If they want to stay within that area, then they may have to downgrade their expectation for wages.

In the Steel Advisory Committee Subcommittee that I chaired between the Departments of Labor and Commerce, one of the representatives of the steelworkers told me that many of those members were not going to leave those communities; that, in fact, they were willing to trade down on wages because of the ambience, because that is where their roots were. And that is understandable. And I think the rest of us can look and say it is unfortunate that they are making that trade, if our dollar values are the only ones that drove us, and clearly they have others, and they are using choosing. And what I am saying is not to wait until that 26-week period is exhausted, but early on where we are expending $57 million a year, to work with those individuals to explain to them very clearly what their options are so they know, before they have lost these benefits, what their choices will be in the immediate environment and what they will be, or may be elsewhere.

Mr. PEASE. Well, I do not know how far we can productively carry this discussion. It seems to me if you say to a worker in Huron County you have lost your job and you have to look for another one, which they are doing, by the way, that there are not a heck of a lot of jobs available when the unemployment rate is 13 percent, I know that to be the case.

Is the job-finding side under your jurisdiction?

Mr. O'KEEFE. Yes, sir.

Mr. PEASE. You ought to take a look at that, too, because I have been visiting those offices in my own area, and they may have 40, 50 job listings a month, 1,500 people signed up for it. Some people never ever get called. The Employment Service feels it has to send out only the cream of the crop of that 1,500 or else the employers will stop listing any jobs at all with the Employment Service, and so what you get are a few people who get sent off for these 50 referrals every month, and 1,400 or so never get referred for any job.

Now, let us not kid ourselves that we are providing an effective alternative for people who lose their jobs.

Mr. O'KEEFE. Let us not kid those workers, and get that Employment Service to call in those 1,500 people who are not going to get

referrals, and say these are the only jobs that we know exist in this community, you need to look elsewhere, or else you are going to have to deal with the circumstances that we have here, and here are the opportunities that we have. Are you competitive for them?

Mr. PEASE. Well, you keep saying they have to look elsewhere. What you mean is they have to take the kids out of school and move away from mom and dad and sell the house and move someplace else.

Well, I do not think we can carry this any farther productively.

Let me deal with one more item in H.R. 1072. You have mentioned H.R. 1072 provides that an individual shall not be eligible for EB unless he participates in an intensive 1-week Job Search Program administered by the Employment Service, if requested to so participate.

You go on to say we oppose any such change, and would substitute a 1-week Job Search Program for the continuous job search that is now required.

Just for the record, it is our interpretation of the bill, that I have put in that it very clearly says that the 1-week intensive job search would be in addition to the ongoing continuing job search and certainly, that is my intent.

Mr. O'KEEFE. Mr. Pease, is it not correct, though, that in the bill you do permit the States to modify work search, depending upon their assessment of the circumstances?

Mr. PEASE. That is true.

Mr. O'KEEFE. That is one reason that we are uncomfortable with 1072, that would be the consequences of reducing the work search effort by many of those individuals.

Mr. PEASE. One last question.

You mentioned in your testimony the increase in the number of jobs created in the last several years. There have been a number of them. Do you have any idea what the composition of those jobs is, how many of them are part-time jobs, for example?

Mr. O'KEEFE. No, sir, I do not. I could get that for you and submit it.

Mr. PEASE. Well, that is something that we need to look at. Obviously, a person who was laid off from a high-paying job at a steel mill or automobile plant cannot hope indefinitely to get a job paying that much. He cannot hold out. He is going to have to, as you point out, reevaluate his options and perhaps accept a lower-paying job, and if there are lots of new jobs being created, to suggest that there are places where that person could look, but I think there has been some suggestion that many of the new jobs being created are part-time jobs and really soft, low wage jobs which would not only mean a drop in income for a person, but the inability to support a family. If you are getting a job at Wendy's for $3.35 an hour and held to a maximum of 35 hours a week, you can work and your spouse can work and even work a second job and still not get above a poverty level for a family of 4.

Mr. O'KEEFE. Mr. Pease, my recollection is dim, but there was an article on this in the "Monthly Labor Review" a couple of months ago. I will try to resurrect that and send you a copy of it. I think my analysis was that the jobs being added span the full spectrum and did not show atypical distribution when compared to the jobs

that were there prior to the measurement period. But, as I say, that is not an area in which I have spent a lot of time recently.

Mr. PEASE. Well, Mr. O'Keefe, I want to thank you for your testimony and being so patient. I think essentially we have a philosophical difference here as to where the Nation's resources should be spent, and what we owe to unemployed workers. I have observed in the past this subcommittee, this full Committee, and Congress has saved you from your instincts, and perhaps this year we can, too.

Chairman FORD. Have you finished, Mr. Pease?

Mr. PEASE. Yes.

Chairman FORD. Mr. O'Keefe, there is a sheet, and maybe the staff can pass you a sheet that has the cost of various unemployment compensation proposals. It is three different proposals that are on this sheet, and the first one is a straight extension of the FSC extension, 6 months, 12 months, 18 months, along with H.R 1072, which is Mr. Pease's, along with No. 3, which is H.R. 646, Mr. Conte's bill, and we have looked at the dollar amount, and I think the question was raised by Mr. Conte, and he indicated and expressed his views to the subcommittee this morning that he felt that the Appropriations Committee would make a way for his bill or a bill to combine with Mr. Pease or some kind of legislation that will respond to this FSC expiration of the 31st.

He felt confident that the Appropriations Committee would do this, and after going over and reading your statement last night and all, I guess I had one question.

Mr. Conte did not hesitate, the ranking minority member of the Appropriations Committee, at all this morning. He felt confident right away that the Appropriations Committee would appropriate the funds that would be needed for legislation and report from this subcommittee.

Mr. O'KEEFE. Mr. Chairman, with respect to the testimony, it is an administration position——

Chairman FORD. You agree with Mr. Stockman, is that correct, or is it your agreement——

Mr. O'KEEFE. We usually like to think that we resolve these, and initiate testimony, and they agreed with us this time around with respect to Mr. Conte's view of the Appropriations Committee. Far be it from me to embark upon something that he knows so much more about than I.

Chairman FORD. Out of the three, the three proposals that this subcommittee would submit, would have under consideration, would probably be reporting out, which of the three do you think the Labor Department or the administration would embrace?

You have already indicated that you will support none of the three, but if we give you a choice with one of these bills that we were confident we would report out of this committee, which of the three would you like to see the committee report out—not that you will embrace it nor would the administration support the legislation.

Mr. O'KEEFE. The chairman asks some very difficult questions to which one wishes that we had a nice little quick response.

Chairman FORD. From a personal standpoint, which one would you like? [Laughter.]

Mr. O'KEEFE. I don't find, frankly, Mr. Chairman, that the bills are actually mutually exclusive. I think some of the things like the members, Mr. Pease and Mr. Stark, are trying to accomplish go beyond what you see in Mr. Conte's bill or Mr. Michel's bill. I think that each of them brings forward ideas, and the members who have brought them forward, regardless of whether we agree with them personally or philosophically as an administration, they are to be commended, because they are taking on what are very thorny issues. And these individuals that you and Mr. Pease have been describing are in very dire straits, in many cases, and we can't afford to be callous toward them. We have to look at every idea.

At the present time, I have to say, as we look at these ideas, we find problems with them.

In my statements to you, in my approach to them, I think where our concerns lie within the Department of Labor—have as much to do with the substantive impacts of these various provisions as anything else, and that there are budgetary consequences and we can't ignore those. None of us can; we are all concerned about that deficit.

Chairman FORD. But it's clear that this subcommittee will be marking up a bill within the next 2 or 3 weeks. It's going to be left up to the committee whether we are going to be thinking in terms of an extension of FSC, an extension of the substate triggers—I am just trying to get a feel as to what the administration would—we are not going to pick up any support from the administration maybe at this particular point, but I am sure when the Senate sends a signal and a message to the White House that we will already have a bill before the Ways and Means full Committee and ready to move to the House floor.

And if there is any way possible to add or to give a twist to the administration in the bill that we are going to report out, we are willing to do so. And, as chairman of the subcommittee, I have a feel as to what would get your attention over there. With the FSC extension for an additional 18 months, I am sure $2.7 billion, by your figures, would get your attention right away.

But if we could reduce that somewhat and also provide whatever benefits that would be necessary to meet the needs of those pockets of unemployment throughout the States and also try to respond to some of the 11 big States in satisfying some of their needs.

Mr. O'KEEFE. Mr. Chairman, I was hoping that my rhetorical skills were such that the committee, after this hearing, would have concluded that it really wasn't necessary to report anything out—but, obviously, that is not the case.

But, as you proceed, the types of things that—and, obviously, this is personal opinion, this is not something that I have discussed elsewhere with others in the administration—I think the types of things we have to be very careful about are, No. 1, maintaining that basic structure, because I don't find anything that any of us are saying calls into question the basic unemployment compensation program's responsiveness to its objectives. I think, second, we have to look at what you are referring to as the pockets, and we have to look at our programs right now that go beyond that basic structure, and recognize that they are not targeted on the pockets.

The FSC Program, for example, is operating in all of the States in one form or another.

But I think it's one-half of all the claimants that are collecting FSC claims are concentrated in six States, and they are roughly the six large States that we have talked about at various points in this conversation. So I would think that we would want to look at making sure that it was targeted to those individuals or those areas where individuals are likely to be most severely in need.

And the other thing that I would come back to is that we cannot ignore the instruments outside the immediate income transfer tools. We have to look at the readjustment mechanisms that are available to those individuals, because simply giving them—as you well know, Mr. Chairman, giving them another 6 weeks of unemployment compensation is not going to materially alter their circumstances in terms of getting that job that they want. I am very hard-pressed with an average weekly benefit——

Chairman FORD. I really appreciate your having the confidence in me in knowing that, but I really don't understand that. You keep referring to the chairman as: I know you know and understand—but I really don't understand why an additional 6 weeks or 14 weeks would not provide some needed assistance to those who are in need in the search for a job, who have been unemployed through no fault of their own.

And it's difficult for me to understand that.

Mr. O'KEEFE. But where are they going to be, Mr. Chairman, the 75 percent of the FSC recipients, when they exhaust—that is what I am saying, is when that benefit has run out, even as the FSC benefit does now——

Chairman FORD. Well, they are going to be waiting on the enterprise zones, they are going to be waiting on the other 2 or 3 million jobs that this administration is going to create with all of the budget reductions that are going to take place in this Congress, and the economic growth that is going to take place that the President has told us about in the State of the Union Message, and, you know, a few additional weeks under the FSC of the extended benefits program will certainly provide whatever additional benefits that would be needed in order to——

Mr. O'KEEFE. Well, Mr. Chairman, if what we are discussing—and I don't think it is—is linking a 6-week extension in the Unemployment Compensation Program both with the proposal for enterprise zones and the President's budget, as otherwise put together, I could take that back downtown.

Chairman FORD. Well, that's a possibility that when we get to the full committee we will be talking with the administration about that.

Mr. Pease, do you have any further questions?

Mr. PEASE. No, Mr. Chairman.

Chairman FORD. Mr. Secretary, we are delighted that you took the time out of your schedule to be with us today. I will apologize once again for having you to come back this afternoon—we had a joint session of the Congress.

But, again, thank you very much. If we need additional information, we will be in contact with you again.

Mr. O'KEEFE. Yes, sir; thank you.

Chairman FORD. Thank you. The subcommittee has completed the witness list for this afternoon. We have scheduled for tomorrow morning at 10 a.m. additional witnesses that will be testifying before the committee on the expiration of the FSC.

And there being no further questions from Mr. Pease, this committee will stand adjourned until 10 a.m. tomorrow morning.

[Whereupon, at 3:30 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Thursday, February 21, 1985.]

FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

THURSDAY, FEBRUARY 21, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION,
Washington, DC.

The subcommittee met, pursuant to call, at 10 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

Chairman FORD. The Ways and Means Subcommittee on Public Assistance and Unemployment Compensation will come to order.

This is the second day that the subcommittee will hear from witnesses on the expiration of the Federal Supplemental Compensation Program on March 31, 1985. We have heard from some of our colleagues here in the House, as well as the administration yesterday.

It goes without saying that this subcommittee has expressed a concern about the weeks of unemployment compensation one is eligible for after he has been laid off through no fault of his own. We want to continue to hear from witnesses and today, we have several panels that we will be hearing from and we will also resume next week to hear from other witnesses before the committee will make any decision on a markup session on a bill, if that will, in fact, be possible.

Today, the subcommittee would like to recognize the American Federation of Labor & Congress of Industrial Organizations, Mr. Robert McGlotten, the assistant director of the Department of Legislation, as well as Mr. Dick Warden from the United Auto Workers, the legislative representative here in Washington.

We look forward to your testimony, and hopefully we will be able to work together in future weeks as we move along to address this serious problem.

The Chair will recognize you, unless Mr. Campbell has an opening statement.

Mr. CAMPBELL. No.

STATEMENT OF ROBERT McGLOTTEN, ASSISTANT DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR & CONGRESS OF INDUSTRIAL ORGANIZATIONS, ACCOMPANIED BY JAMES N. ELLENBERGER, ASSISTANT DIRECTOR, DEPARTMENT OF OCCUPATIONAL SAFETY, HEALTH AND SOCIAL SECURITY

Mr. MCGLOTTEN. I will summarize my statement, and request that the entire statement be submitted for the record.

Chairman FORD. It will be made a part of the record.

Mr. MCGLOTTEN. The AFL–CIO appreciates this opportunity to present the views of millions of American working men and women, many of them jobless, on the sad state of this Nation's unemployment compensation system and, in particular, the failure of that system to afford protection to the long-term unemployed.

We commend you, Mr. Chairman, and the members of this subcommittee, for your decision to tackle this vexing and serious problem in this session of Congress. There is more than just the normal degree of urgency to your deliberations.

In less than 40 days, the Federal Supplemental Compensation Program will expire, adding hundreds of thousands more to the already huge numbers of unemployed people in this country who receive no jobless assistance.

The system that was designed to aid our fellow citizens who become unemployed through no fault of their own is failing and adding to their burdens and to their despair.

The economic recovery, that looks so bright to some, is invisible or nonexistent in countless communities and many States throughout the country. January's unemployment rate was up two-tenths of 1 percent from December, to 7.4 percent.

The number of unemployed was 8.5 million, seasonally adjusted, but 9.1 unadjusted. These figures do not include those who have dropped out of the labor force because they have been unable to find jobs, nor do they reflect those who need and want full-time employment but must settle for part-time jobs.

Tragically, what some representatives of the administration refer to as a safety net has developed a hole that has grown even larger for the unemployed. That gap will become far worse on March 31 of this year unless Congress and the administration enact, at a minimum, the extension of the Federal Supplemental Compensation Program as called for in H.R. 890.

We urge this body to act favorably and without delay on this bill to continue this important protection for the long-term unemployed.

Of the 1,357,000 people out of work for 27 weeks or more in January of this year, only 335,400 were receiving benefits under either EB or FSC. More than 75 percent of the long-term jobless, men and women with families to feed and debts to pay, are without UI benefits of any kind.

As a result of actions that took place in 1981, at the end of last year not a single State qualified for the jointly-funded Federal-State Extended Benefit Program, a program designed to provide up to 13 weeks of additional benefits to the long-term jobless.

Puerto Rico was the only jurisdiction that met the requirements for EB even though high joblessness and long period of unemployment continue to rack major portions of our society.

The elimination of a national trigger, the exclusion of certain categories of the unemployed in calculating State insured unemployment rates, and the raising of the automatic and optional State IUR trigger levels have been a disaster for the long-term unemployed.

In the latest month for which there are available statistics, December 1984, there were 18 jurisdictions experiencing unemployment equal to or greater than the national rate of 7.4 percent.

Six of them had jobless rates of over 10 percent. Again, Puerto Rico was the only jurisdiction with an IUR high enough to qualify for EB. The gap between the IUR and the TUR at the national level was 4.4 percent. As is indicated in table A, the IUR–TUR gap in 27 jurisdictions exceeded that average, and in 19 of them, the gap was 5 percent or more.

The impact of the last recession brought devastation to numerous State IU trust funds. Many States were forced to borrow from the Federal Government in order to pay unemployment benefits to the large number of jobless.

In the midst of this financial crunch, the Federal Government changed the rules and imposed interest charges on loans made after April 1, 1982. The impact and net result of this action has been akin to placing the blame on the victims.

Eligibility rules were tightened; duration of payments were shortened, exhaustees and receiptants of EB and FSC were no longer counted in the calculation of the IUR, making it far more difficult for States to qualify for extended benefits.

If it is the policy of this Government, and if it is our intention as people who care, to provide additional compensation to our fellow citizens who suffer from long-term unemployment, then we are failing in our commitment, our obligations, and our responsibilities.

We are encouraged by the introduction of H.R. 1072, introduced by Congressman Pease and his distinguished colleagues.

We testified in favor of a similar version in the Senate nearly 18 months ago, and again call for favorable action on this bill to remedy some of the deficiencies in our UI system.

H.R. 1072 would replace the existing Extended Benefits and Federal Supplemental Compensation Programs with a new system providing a tiered schedule of benefits, based on a State's unemployment level, of up to 30 weeks of additional payments to the long-term jobless.

An additional 5 weeks of benefits would be added to each tier when total unemployment at the national level reached 10 percent or more. Under this program, it would be possible for long-term jobless workers to receive up to 61 weeks of benefits.

The maximum, however, would be available to the long-term jobless only in those States with total unemployment rates of 12 percent or insured unemployment rates of 7 percent at the same time that national total unemployment equals or exceeds 10 percent.

H.R. 1072 required that total unemployment be the trigger for the benefits if the duration of benefits would be greater than would be available using insured unemployment.

This provision is a much-needed step in the right direction, but in our view the required levels of unemployment continue to be too high.

We suggest, therefore, that the levels of total unemployment required for each tier of benefits be lowered by at least 1 percentage point.

When insured unemployment rates are used, the percentage of the prior year's insured unemployment for each tier of benefits should be eliminated and recipients of unemployment compensation benefits under all programs should be included in the calculation of insured unemployment.

These suggested changes will help to assure that this program meets the objectives of fairness and adequacy and provides income protection to those who are most needy.

H.R. 646, another proposal before this subcommittee that would revise the trigger provision for extended benefits and extend the FSC Program under certain conditions, fails in our view to correct the failings of the current system in providing protection to the long-term unemployed.

An important provision that does appear in H.R. 646, as introduced by Congressman Conte, would correct a gross inequity and should be included in a bill reported out by this subcommittee. That is section 302 dealing with the treatment of employees providing services to educational institutions.

As you are aware, Mr. Chairman, the 1983 Social Security Amendments required States to deny unemployment insurance benefits between academic years to nonprofessional employees of education institutions and educational service agencies if the employees have a reasonable assurance of returning to work in the next school term.

The people eliminated from the UI system by that action are the people who feed our children, clean our schools, provide vital clerical work for our education professionals, serve as nurses, busdrivers, and school crossing guards.

Many of these workers receive wages that are low by any standard and are frequently not beneficiaries of fringe benefits that are extended to education professionals.

To deny UI benefits to these workers was a mean-spirited act that should be reversed. Although we believe that Federal law should require States to extend UI assistance to these workers, section 302 of H.R. 646 at least restores to the States some option in their treatment of nonprofessional employees of educational institutions.

Mr. Chairman, the AFL–CIO believes that the time to improve this Nation's treatment of the long-term unemployed is now. We are cognizant of the difficulties we all face in achieving equitable reform, but urge the extension of the FSC program as called for in H.R. 890 and the continuation of efforts to provide a permanent program of assistance to those people who are jobless for extended periods of time.

Thank you, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF ROBERT MCGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR & CONGRESS OF INDUSTRIAL ORGANIZATIONS

The AFL-CIO appreciates this opportunity to present the views of millions of American working men and women, many of them jobless, on the sad state of this nation's unemployment compensation system and, in particular, the failure of that system to afford protection to the long-term unemployed.

We commend you Mr. Chairman, and the members of this Subcommittee, for your decision to tackle this vexing and serious problem early in this session of Congress. There is more than just the normal degree of urgency to your deliberations. In less than forty days the Federal Supplemental Compensation program will expire—adding hundreds of thousands more to the already huge numbers of unemployed people in this country who receive no jobless assistance. The system that was designed to aid our fellow citizens who become unemployed through no fault of their own is failing and adding to their burdens and to their despair.

The economic recovery, that looks so bright to some, is invisible or non-existent in countless communities and many states throughout the country. January's unemployment rate was up two tenths of one percent from December—to 7.4 percent. The number of unemployed was 8.5 million seasonally adjusted, but 9.1 unadjusted. These figures do not include those who have dropped out of the labor force because they have been unable to find jobs, nor do they reflect those who need and want full-time employment but must settle for part-time jobs.

Tragically, what some representatives of the Administration refer to as a "safety net" has developed a hole that has grown ever larger for the unemployed. That gap will become far worse on March 31 of this year unless Congress and the Administration enact, at a minimum, the extension of the Federal Supplemental Compensation (FSC) program as called for in H.R. 890. We urge this body to act favorably and without delay on this bill to continue this important protection for the long-term unemployed.

H.R. 890, however, will not resolve the inequities and injustice present in our Extended Benefit/Federal Supplemental Compensation system. Mr. Chairman, the number of long-term unemployed, now at 1.4 million, has increased 20 percent over the past four years. In 1984, on average, only 34 percent of the unemployed were receiving unemployment benefits under all programs—including regular state programs, EB and FSC. In February 1975, during the worst previous recessions since World War II, 76 percent of the unemployed were receiving benefits.

Of the 1,357,000 people out of work for 27 weeks or more in January of this year, only 335,400 were receiving benefits under either EB or FSC. More than 75 percent of the long-term jobless, men and women with families to feed and debts to pay, are without UI benefits of any kind.

As a result of actions that took place in 1981, at the end of last year not a single state qualified for the jointly funded (federal-state) Extended Benefit program—a program designed to provide up to 13 weeks of additional benefits to the long-term jobless. Puerto Rico was the only jurisdiction that met the requirements for EB even though high joblessness and long periods of unemployment continue to rack major portions of our society.

The elimination of a national trigger, the exclusion of certain categories of the unemployed in calculating state insured unemployment rates, and the raising of the automatic and optional state IUR trigger levels have been a disaster for the long-term unemployed.

In the latest month for which there are available statistics, December 1984, there were eighteen jurisdictions experiencing unemployment equal to or greater than the national rate of 7.4 percent. Six of them had jobless rates of over 10 percent. Again, Puerto Rico was the only jurisdiction with an IUR high enough to qualify for EB. The gap between the IUR and the TUR at the national level was 4.4 percent. As is indicated in Table A, the IUR-TUR gap in twenty-seven jurisdictions exceeded that average—and in nineteen of them the gap was 5 percent or more.

The impact of the last recession brought devastation to numerous state UI trust funds. Many states were forced to borrow from the federal government in order to pay unemployment benefits to the large number of jobless. In the midst of this financial crunch, the federal government changed the rules and imposed interest charges on loans made after April 1, 1982. The impact and net result of this action has been akin to placing the blame on the victims. Eligibility rules were tightened; duration of payments were shortened, exhaustees and recipients of EB and FSC were no longer counted in the calculation of the IUR—making it far more difficult for states to qualify for Extended Benefits.

More than half of the 21 jurisdictions that were classified as debtor states at the end of Fiscal Year 1984 still had unemployment rates above 7 percent (Table B). The average gap between the TUR and the IUR in these states was 6.6 percent. Excluding the Virgin Islands, these jurisdictions accounted for 3.8 million of the total of 8.5 million jobless in September 1984—or 45 percent of the total. Yet none of them, except Puerto Rico, was able to pay EB Benefits to their long-term unemployed.

If it is the policy of this government, and if it is our intention as people who care, to provide additional compensation to our fellow citizens who suffer from long-term unemployment, then we are failing in our commitment, our obligations and our responsibilities.

The AFL-CIO has historically called for reform of our nation's unemployment insurance system. We think the time to act is now and not when we are in the midst of another recession. We believe that any reform must address the problem of funding and trust fund indebtedness.

There should be a permanent program of federal supplemental assistance that would provide, together with regular state programs, at least 65 weeks of benefits to the long-term unemployed. We are opposed to a trigger-based program, but believe that if triggers must be used the total unemployment rate is the only understandable and realistic measure available.

To help states cope with extraordinary costs during periods of high joblessness a system of reinsurance should be established. There should be a federal standard requiring all states to increase the taxable wage base to 65 percent of the average annual wage. There should be flexibility allowed for the repayment of loans by the states during periods of high unemployment and recession. And the culprit of experience rating, which has played such a major role in under-financing the unemployment compensation system, should be gradually eliminated.

We are encouraged by the introduction of H.R. 1072, introduced by Congressman Pease and his distinguished colleagues. We testified in favor of a similar version in the Senate nearly eighteen years ago and again call for favorable action on this bill to remedy some of the deficiencies in our UI system.

H.R. 1072 would replace the existing Extended Benefit and Federal Supplemental Compensation programs with a new system providing a tiered schedule of benefits, based on a state's unemployment level, of up to 30 weeks of additional payments to the long-term jobless. An additional five weeks of benefits would be added to each tier when total unemployment at the national level reached 10 percent or more. Under this program, it would be possible for long-term jobless workers to receive up to 61 weeks of benefits. The maximum, however, would be available to the long-term jobless only in those states with total unemployment rates of 12 percent or insured unemployment rates of 7 percent at the same time that national total unemployment equals or exceeds 10 percent.

H.R. 1072 requires that total unemployment be the "trigger" for the benefits if the duration of benefits would be greater than would be available using insured unemployment. This provision is a much needed step in the right direction, but in our view the required levels of unemployment continue to be too high. We suggest, therefore, that the levels of total unemployment required for each tier of benefits be lowered by at least one percent. When insured unemployment rates are used, the percentage of the prior year's insured unemployment for each tier of benefits should be eliminated and recipients of unemployment compensation benefits under all programs should be included in the calculation of insured unemployment. These suggested changes will help to assure that this program meets the objectives of fairness and adequacy and provides income protection to those who are most needy.

The AFL-CIO supports the provision that would allow states to modify the work search requirements now imposed on recipients of extended and federal supplemental benefits. Under the proposed legislation, states could waive this requirement when labor market conditions are so depressed that an active search for work would be fruitless. Unemployed workers want jobs, but it makes no sense to force them to search for nonexistent jobs in order to retain their uneligibility for employment compensation benefits.

The costs of this program would be shared by states and the federal government. The federal share would range from 50 percent to 80 percent, depending upon state unemployment levels, and when total national unemployment reached 10 percent, the additional five weeks of benefits that would be provided would be financed from federal general revenues. We believe that this is an equitable approach which would reduce the financial burden on states in which unemployment is high and of long duration, and thus enable states to improve rather than cutback benefits for unemployed workers.

H.R. 646, another proposal before this subcommittee that would revise the trigger provisions for Extended Benefits and extend the FSC program under certain conditions, fails in our view to correct the failings of the current system in providing protection to the long-term unemployed.

An important provision that does appear in H.R. 646, as introduced by Congressman Conte, would correct a gross inequity and should be included in a bill reported out by this subcommittee. That is Section 302 dealing with the treatment of employees providing services to educational institutions.

As you are aware Mr. Chairman, the 1983 Social Security Amendments required states to deny unemployment insurance benefits between academic years to nonprofessional employees of education institutions and educational service agencies if the employees have a "reasonable assurance" of returning to work in the next school term. The people eliminated from the UI system by that action are the people who feed our children, clean our schools, provide vital clerical work for our education professionals, serve as nurses, bus drivers and school crossing guards. Many of these workers receive wages that are low by any standard and are frequently not beneficiaries of fringe benefits that are extended to education professionals. To deny UI benefits to those workers was a mean-spirited act that should be reversed. Although we believe that federal law should require states to extend UI assistance to these workers, Section 302 of H.R. 646 at least restores to the states some option in their treatment of nonprofessional employees of educational institutions.

Mr. Chairman, the AFL-CIO believes that the time to improve this nation's treatment of the long-term unemployed is now. We are cognizant of the difficulties we all face in achieving equitable reform but urge the extension of the FSC program as called for in H.R. 890 and the continuation of efforts to provide a permanent program of assistance to those people who are jobless for extended periods of time.

TABLE A.—DECEMBER 1984

State	IUR [1]	TUR [2]	GAP	Maximum weeks FSC eligibility (Dec. 15, 1984)
Alabama	3.3	11.7	8.4	12
Alaska	5.5	9.9	4.4	14
Arizona	1.5	4.4	2.9	8
Arkansas	3.5	8.6	5.1	12
California	3.3	[3] 6.9	3.6	12
Colorado	1.7	5.9	4.2	8
Connecticut	1.3	4.7	3.4	8
Delaware	1.4	5.9	4.5	8
District of Columbia	2.1	8.1	6.0	8
Florida	1.4	[3] 6.1	4.7	8
Georgia	1.7	5.6	3.9	8
Hawaii	3.3	5.4	2.1	8
Idaho	3.3	7.3	4.0	14
Illinois	2.7	[3] 8.6	5.9	12
Indiana	2.3	8.7	6.4	8
Iowa	2.3	7.1	4.8	8
Kansas	2.0	5.5	3.5	8
Kentucky	2.8	9.1	6.3	12
Louisiana	3.6	10.4	6.8	12
Maine	3.0	5.7	2.7	10
Maryland	1.9	5.3	3.4	8
Massachusetts	1.9	[3] 3.9	2.0	8
Michigan	3.1	[3] 10.6	7.5	14
Minnesota	1.8	6.8	5.0	8
Mississippi	3.3	11.0	7.7	12
Missouri	2.2	6.7	4.5	8
Montana	3.3	7.0	3.7	12
Nebraska	1.5	5.0	3.5	8
Nevada	2.7	8.7	6.0	8
New Hampshire	1.0	4.1	3.1	8
New Jersey	2.7	[3] 5.4	2.7	8
New Mexico	2.7	7.4	4.7	8
New York	2.5	[3] 6.5	4.0	8
North Carolina	2.1	7.2	5.1	8

TABLE A.—DECEMBER 1984—Continued

State	IUR [1]	TUR [2]	GAP	Maximum weeks FSC eligibility (Dec. 15, 1984)
North Dakota	2.0	6.2	4.2	8
Ohio	2.7	[2] 9.2	6.5	12
Oklahoma	2.0	7.1	5.1	8
Oregon	3.9	9.4	5.5	14
Pennsylvania	3.7	[2] 7.3	3.6	14
Puerto Rico	6.9	19.4	12.5	11
Rhode Island	2.6	4.5	1.9	8
South Carolina	2.6	7.3	4.7	8
South Dakota	1.0	4.7	3.7	8
Tennessee	2.4	8.2	5.8	8
Texas	1.5	[2] 5.6	4.1	8
Utah	2.3	6.3	4.0	8
Vermont	2.4	4.3	1.9	12
Virginia	1.0	5.1	4.0	8
Virgin Islands	4.0	NA	NA	10
Washington	4.0	9.4	5.4	14
West Virginia	5.0	15.6	10.6	14
Wisconsin	2.7	7.2	4.5	12
Wyoming	1.6	6.4	4.8	8

[1] IUR = 13 week average for week containing 12th day of the month.
[2] TUR = preliminary figures except for 10 largest States.

TABLE B.—DEBTOR STATES END OF FISCAL YEAR 1984

[Dollars in billions]

State	Total loans	Interest bearing	TUR [1]	IUR [1]	Gap
Pennsylvania	$2,004.0	$692.1	7.3	3.7	3.6
Illinois	1,724.7	394.5	8.6	2.7	5.9
Michigan	1,658.5	237.2	10.6	3.1	7.5
Ohio	1,449.9	638.8	9.2	2.7	6.5
Wisconsin	595.5	468.8	7.2	2.7	4.5
Louisiana	491.4	491.4	10.4	3.6	6.8
Texas	411.3	411.3	5.6	1.5	4.1
New Jersey	322.0	.....	5.4	2.7	2.7
West Virginia	308.4	228.7	15.6	5.0	10.6
Minnesota	217.5	99.1	6.8	1.8	5.0
Connecticut	197.0	32.9	4.7	1.3	3.4
Kentucky	79.0	.....	9.1	2.8	6.3
Rhode Island	75.8	.....	4.5	2.6	1.9
Colorado	62.3	62.3	5.9	1.7	4.2
Iowa	49.3	49.3	7.1	2.3	4.8
District of Columbia	43.8	33.4	8.1	2.1	6.0
Puerto Rico	36.0	.....	19.4	6.9	12.5
Delaware	35.3	.....	5.9	1.4	4.5
Vermont	19.0	.....	4.3	2.4	1.9
Montana	8.6	8.6	7.0	3.3	3.7
Virgin Islands	4.2	3.3	NA	4.0	NA
Total	9,793.5	3,851.7	.....	.....	.....

[1] December 1984.

Chairman FORD. Mr. Warden.

STATEMENT OF DICK WARDEN, LEGISLATIVE DIRECTOR, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW), ACCOMPANIED BY BETTY ROBINSON, LEGISLATIVE REPRESENTATIVE

Mr. WARDEN. Thank you, Mr. Chairman.

I am delighted to be here today representing 1.1 million UAW members who are now actively employed or hope to be, and many of them unfortunately are looking for employment and have not been able to find it yet.

I am accompanied this morning by Betty Robinson, our legislative representative here in our office here in Washington.

We really appreciate the promptness with which the subcommittee is taking this up here in the 99th Congress. We believe that this is an issue which obviously needs to be addressed, and it need to be addressed very soon, because the FSC Program expires, as Mr. McGlotten said, on March 31.

We believe that the Congress should enact H.R. 890 and should enact it without undue delay, to give it the time that it needs to begin to take a look at the entire unemployment compensation system, and to adopt the reforms that are obviously needed in that system, and we believe need it very badly in the wake of what happened in 1981 with the cutbacks in the Extended Benefits Program.

Unemployment insurance, Mr. Chairman—and I will summarize my statement and ask unanimous consent that it be inserted in the record.

Chairman FORD. Without objection.

Mr. WARDEN. Unemployment insurance, we believe, is an essential program for the economic security of millions of American workers and their families. It has served as a first line of defense against the hardship caused by unemployment and it has also served, and this is a fact that is not always recalled by people, also served to stabilize our economy during periods of widespread joblessness.

Workers deserve adequate protection from job loss, but despite persistently high unemployment, the protections provided by the unemployment insurance system have been weakened drastically over the last few years.

As a result of severe cutbacks in 1981 in the Federal-State Extended Benefits Program, only the unemployed in Alaska, West Virginia, and Puerto Rico are receiving benefits under the EB Program.

The cutbacks have been so severe, and there are only two States recently triggered on to participate in the EB Program, Alaska and West Virginia.

Puerto Rico is also participating, and has been all along.

Michigan, Pennsylvania, Illinois and other States where there are pockets of unemployment such as your own State, Mr. Chairman, of Tennessee, where there are a lot of people who are unemployed, and we need the EB Program over the longer pull, but the most immediate need today is for the Congress, without further undue delay, to extend the FSC Program, and that is why we are so pleased to be here today to call for enactment of H.R. 890.

There is no question that our economy is experiencing what is commonly referred to as a recovery, but the fact of the matter is that there are many people who have been missed by that recovery.

We in the UAW have thousands and thousands of members who are actively seeking employment now and who are unable to find it, who are suffering as a result of what is happening in some areas during this recovery, and their families are suffering, and they need this FSC Program.

Today, despite more than 2 years of economic recovery, 8 million Americans are actively searching for work, but cannot find jobs. At the start of the recession—our economists have said there are 600,000 more people unemployed today than there was at the start of the recession.

We are calling that a recession and this a recovery, and somewhere along the way, the meaning has become distorted.

The number of workers who have been without jobs 6 months or more and still looking for work is 20 percent higher than it was before the last recession began. Millions of workers simply are being left out of the recovery.

At the four basic domestic auto companies, for example, hourly employment is up moderately from the trough of 1982, but it still remains almost 30 percent below 1978. More than 70 percent of the jobs lost between 1978 and 1982 have not yet been restored.

In other major UAW-represented industries we find that farm and construction machinery employment is 50 percent below its peak, and aerospace employment is down almost 15 percent. In manufacturing overall, employment remains 1 million below its last peak.

Mr. McGlotten has summarized the provisions of the bills, and I will try not to be redundant in that sense. We are in concurrence with the AFL-CIO on the enactment of H.R. 890 and their views on 1072, which we believe would provide needed reform over the longer pull, in our unemployment compensation system.

Mr. Pease has just come into the room, and I would like to commend him for leading the way on H.R. 890, in introducing that bill, and also H.R. 1072 along with a bipartisan group of his colleagues, and we think both of those initiative are important and initiatives that the subcommittee ought to enact.

We urge Congress to enact H.R. 890, as I said before, without further undue delay, to provide the extension of the FSC Program for 18 months, but also to provide the time that we believe the Congress needs to go back and take a look at the impact of those changes of 1981 and to see whether that is really what the Congress intended to do at that time.

We all know, who were here at that time, that when that legislation was adopted, there were Members of Congress who were not aware of all of the implications of what was being done.

We believe that if the Congress were to look at those changes, and to carefully consider what it means in terms of unemployed working men and women and their families, that they would want to go back and change some of those provisions that were adopted.

Last fall, when your subcommittee held hearings, Mr. Chairman, we submitted a statement which had recommendations of the

UAW for broader reform and more comprehensive reform of the unemployment compensation system, and those are appended to the statement that we are filing for the record today.

We would just, before closing, Mr. Chairman, like to urge once again that the subcommittee move quickly on H.R. 890, so that this important and needed program can be extended before the expiration on March 31, 1985, and that will also give you the time that we believe you need to take, to look into the system and to make the improvements that are needed and deserved by working people and their families.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF DICK WARDEN, LEGISLATIVE DIRECTOR, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA [UAW]

Mr. Chairman, on behalf of 1.1 million active UAW members and the thousands of others who have been laid off, we wish to thank you for holding this hearing. The future of the Federal Supplemental Compensation progam (FSC) and the unemployment insurance system generally is of great concern to UAW members and to all working Americans and their families.

Your Subcommittee is fully aware of the importance of the unemployment insurance system. Unemployment insurance is an essential program for the economic security of millions of American workers and their families. It has served as a first line of defense against the hardship caused by unemployment. It has also served to stabilize the economy during periods of widespread joblessness.

Workers deserve adequate protection from job loss, but despite persistently high unemployment, the protections provided by the unemplyment insurance system have been weakened drastically over the last few years. As a result of severe cutbacks in 1981 in the Federal-State extended Benefits (EB) program, only the unemployed in Alaska, West Virginia, and Puerto Rico are receiving benefits under the EB program. The rest of the nation's unemployed who exhaust their basic state benefits have nowhere to turn but the Federal Supplemental Compensation program (FSC). Now even that protection is in serious jeopardy, since the FSC Program is due to expire at the end of next month. Protection for workers who lose their jobs through no fault of their own would then be limited to the basic state plan which usually provides up to 26 weeks of benefits. Workers who have been without jobs for a half year or longer would then be without any benefits whatsoever. Such expiration would come at a time when the percentage of unemployed drawing benefits has fallen to the lowest levels in the UI program's history. In 1984, only 34% of the jobless received any type of unemployment compensation.

Extending the FSC Program: The first priority

It is therefore imperative that Congress act swiftly to extend the Federal Supplemental compensation progam. Today, more than 300,000 long-term unemployed workers depend upon this program for support they need while searching for another job.

Today despite more than 2 years of economic recovery, 8 million Americans are actively searching for work but cannot find jobs—600,000 more than when the last recession began. The number of workers who have been without jobs six months or more and still looking for work is 20 percent higher than it was before the last recession began. Millions of workers simply are being left out of the recovery. At the four basic domestic auto companies, for example, hourly employment is up moderately from the trough of 1982, but it still remain almost 30 percent below 1978. More than 70 percent of the jobs lost between 1978 and 1982 have not yet been restored. In other major UAW-represented industries we find that farm and construction machinery employment is 50 percent below its peak and aerospace employment is down almost 15 percent. In manufacturing overall employment remains 1 million below its last peak.

Recently we surveyed members who were victims of plant closings in the independent auto parts supplier industry. We found that two-thirds were still unemployed when we talked with them, and the average length of joblessness was more than a year and a half. Not only did they suffer drastic reductions in individual and family income, but while unemployed, almost two-fifths who had savings used them

up entirely. One-quarter had no health coverage at all, and a great many told us of increased personal and family problems caused by their joblessness.

As for the future, most experts foresee virtually no improvement in the job market situation in the next two years. The strong forces creating long-term unemployment are expected to continue.

Yet, despite the economic realities facing workers in this country, the Administration demonstrates little concern over the plight of the long-term unemployed. Three weeks ago, the President submitted a budget to Congress which recommends no funds for extension of the FSC program beyond its March 31 expiration date.

We urge the Congress to continue this program by approving H.R. 890 to extend FSC for another 18 months. We urge Congress to act promptly and pass H.R. 890. It will provide the long-term jobless with a cushion they continue to need. At the same time, it will allow Congress time to work toward improving the total unemployment insurance system.

UAW proposals for improving the UI system

Beyond extending FSC, which is the first and most urgent requirement a number of other steps should be taken as well. Last September, we shared with this Subcommittee our views on the federal-state unemployment compensation system and our suggestions for improving its structure. At that time, we reported that the unemployment insurance system was not—and has not been—providing adequate protection, especially for the long-term jobless. We cited statistics on the increase in long-term unemployment, the decline in unemployment insurance coverage, the low percentage of wage replacement in the average benefit and how erosion of the system has served to undermine its role as an automatic economic stabilizer. I regret to report today—five months later—nothing has changed. The system remains in great difficulty.

We are attaching to this statement a summary of our comments of last September. We hope members of the Subcommittee will take a few minutes to review the summary.

We call for an overhaul of the unemployment compensation system, something we have been urging for many years. We supported the creation of the National Commission on Unemployment Compensation in 1976. The UAW presented to the Commission a comprehensive proposal that remains relevant today.

Some of our key long-term recommendations are as follows:

Establish a permanent program to provide a maximum benefit duration of 65 weeks whenever the nation's unemployment rate exceeds the 4 percent goal set forth in the Full Employment and Balanced Growth Act of 1978, and 52 weeks otherwise.

Adopt benefit standards which replace at least two-thirds of a worker's wage, up to a maximum amount which should not be less than 75 percent of the statewide average wage.

Guarantee Unemployment Insurance benefits to workers in training programs.

Reimburse states for the excessive costs generated by high unemployment associated with the last three national recessions.

Recent proposals

In this session of Congress, several bills already have been introduced. We are encouraged that Members of Congress recognize the need to remedy problems within the unemployment compensation system.

One of the bills introduced—H.R. 1072—has merit, though there are problems with several of its specific provisions. H.R. 1072 would, among other things, combine the EB and FSC programs into a single program, providing benefits beyond those currently available through the basic state programs. Coverage under the program would expand automatically as unemployment rises, relieving much needless anxiety and personal suffering caused by the present lag between the increased need for benefits when unemployment rises, and Congressional action to meet that need.

Under H.R. 1072 a maximum of 61 weeks of benefits would be available. While we would prefer a maximum of 65 weeks, this provision would move the system in the right direction. But there is a problem: the 61 weeks would be available only if workers lived in a state where the insured unemployment rate was 7 percent or the state unemployment rate was 12 percent and above, and the national rate was 10 percent or higher.

Using the current total unemployment and insured unemployment rates, we find that in such states as Michigan, West Virginia, Mississippi, and Alabama where unemployment continues in double digits, workers would not qualify for the full 61 weeks of benefits. And in such states as Illinois and Indiana where joblessness con-

tinues 15-20 percent above the national average, workers would be entitled to fewer benefits than they currently are receiving.

While we support finding a way to use a state's total unemployment rate in triggering additional benefits—because it more accurately captures the magnitude of joblessness—the levels proposed are too high. They should be lowered and made more responsive to the needs of workers as unemployment rises. This recommendation also applies to the proposed level at which the national unemployment rate would trigger an additional five weeks of benefits.

In applying the state insured unemployment rate trigger, the requirement should be dropped that the rate be a certain percentage above the preceding six years. The insured unemployment rate should count workers receiving benefits under all unemployment insurance programs.

We support the provision to allow states to waive current job search requirements when the labor market conditions are so depressed that actively seeking work clearly will not result in a job.

With respect to the federal-state cost-sharing proposals under H.R. 1072, the approach outlined within the bill appears to be equitable. There should, however, be some provision that would give special relief from these requirements to states which are facing financial difficulties stemming from national economic conditions beyond their control.

Another recently introduced unemployment compensation measure is H.R. 646. Under this legislation, the EB program would be modified and the FSC program extended under certain conditions. In our view, this proposal does not improve the situation for the long-term jobless, and in fact may make it worse.

The proposals for the FSC program are extremely restrictive. The program would not trigger benefits in a single state until unemployment in all the states reached 6 percent—based upon a combined insured and total unemployment rate. In addition, the minimum duration of benefits would be cut by two weeks. Changes proposed in the EB triggers would do little to correct the current restrictiveness of that program.

There is one provision of the bill that we support. It relates to correcting the inequity in the availability of benefits for nonprofessional education employees. H.R. 646 would change the law mandating the states to deny benefits to nonprofessional school workers during breaks and summer recesses unless there is a "reasonable assurance" that a worker will continue to work for the school in the next term. Instead, states would have the option to treat untenured school employees more equitably by permitting them to draw unemployment insurance when they are laid off during summer recesses and breaks.

Conclusion

Mr. Chairman, we urge once again that Congress act promptly to extend the FSC program, as proposed by H.R. 890. Without your positive action, unemployed working men and women will suffer even more. Enactment of H.R. 890 will provide the time Congress needs to make more comprehensive changes that would improve the operation of the employment compensation system and provide the kind of protection unemployed Americans need and deserve.

Thank you.

SUMMARY

We commend you, Mr. Chairman, and other members of the Subcommittee for holding this hearing to begin a review of the unemployment insurance system in advance of the expiration of the Federal Supplemental Compensation program.

Workers deserve adequate and permanent protection from job loss. Unfortunately, the unemployment compensation system has not been providing adequate protection, especially to the nation's long term unemployed.

Today, despite reports of a recovery from the worst economic downturn since the 1930s, unemployment persists at an unacceptably high level. Large numbers of workers simply are being left out of the recovery. Many are UAW members.

The share of the jobless receiving unemployment benefits is only 30%, one of the lowest levels of coverage in the nearly 50-year history of the unemployment insurance system. At the depths of the last recession less than half of the nation's unemployed received any unemployment insurance benefits.

For the few receiving benefits today, they are provided with very little cushion against economic hardships. The average benefit replaces only about two-fifths of the average weekly wage.

Statistics clearly show that the unemployed are jobless for longer periods, while reductions in unemployment insurance coverage mean that less help is available. This has resulted chiefly because of cutbacks in the Extended Benefit program contained in the Omnibus Budget Reconciliation Act of 1981.

Today, in the midst of continued high unemployment and long-term joblessness, the EB program is not operating in a single state.

The unemployed who exhaust their basic state aid must rely only on the FSC program. Having a system that allows workers to receive the third tier of benefits while denying them the second tier of benefits robs workers of protection desparately needed during periods of high unemployment.

The changes enacted in 1981 have led to reductions in budget outlays, but at an unacceptably high cost for millions of unemployed workers and their families. We have seen the costs borne by our own members.

We urge Congress not to allow the FSC program to expire. The continued seriousness of the current unemployment situation plus an outlook of little improvement in the next year make the extension of the FSC program essential.

We also urge Congress to go beyond the FSC program and fully restore the Federal-State Extended Benefit program. This would include rescinding the increases in the rates for individual states to trigger "on" the extended benefit program. The program for paying extended benefits in all states when the national insured unemployment rate exceeds 4.5% also must be revived. In addition, computation of the insured unemployment rate should include recipients of extended benefits, and should not be restricted to claimants receiving regular state benefits.

We are encouraged that members of Congress also recognize the need for a better program. Last year Representatives Stark, Pease, and Kaptur introduced the Extended Unemployment Compensation Act of 1983—H.R. 3863. However, this proposal does not go far enough.

The UAW has long called for an overhaul of the unemployment compensation system. We supported the creation of the National Commission on Unemployment Compensation in 1976. The UAW presented to the Commission a comprehensive proposal that remains fully relevant today; we urge its careful study by members of this Subcommittee, as well as full review of the Commission complete recommendations.

We also refer members of the Subcommittee to the appendix attached to this statement for a full list of recommendations adopted by the 27th UAW Constitutional Convention, May 15–20, 1983.

Recommendations on this list plus some additional suggestions include:

Establish a permanent program to provide a maximum benefit duration of 65 weeks when unemployment at the national level exceeds the 4 percent goal set forth in the Full Employment and Balanced Growth Act of 1978, and 52 weeks otherwise.

Adopt benefit standards of at least two-thirds of a workers' wage up to a maximum amount which should not be less than 75% of the statewide average wage.

Guarantee UI benefits to workers in training programs.

Reimburse states for the excessive costs generated by high unemployment associated with the last three recessions.

Reverse restrictive Department of Labor interpretation requiring UI offset against all Social Security and Railroad Retirement pensions.

Require DOL to carry out the protective intent of the Extended Benefit program job posting law.

Guarantee full UI coverage of nonprofessional education employees by requiring "reasonable assurance" of employment in writing before benefits during school recesses could be denied.

Appendix

Program for reforming the Unemployment Insurance system, adopted by the 27th UAW Constitutional Convention, May 15–20, 1983

I. Federal Changes

1. Provide federal unemployment benefits for up to 65 weeks for persons in high unemployment areas.

2. Reduce the state trigger for federal benefits to about 4 percent of unemployment, which is consistent with the full employment goals of the Humphrey-Hawkins bill.

3. Again include in the term "unemployed" those who received federal unemployment benefits

4. Restore the national trigger for federal unemployment benefits.
5. Eliminate the requirement of an active job search for federal benefits, when such requirement is waived for state benefits, because such job searches are futile due to high unemployment levels in certain states.
6. Institute a cost-equalization or reinsurance type program.
7. Remove unemployment compensation accounts from the unified federal budget.
8. Increase the Federal Unemployment Tax Act (FUTA) taxable wage base.
9. Establish federal basic minimum benefits standards.
10. Institute a reinsurance program to ease the financial burden on state trust funds of high unemployment which individual states cannot control.
11. Repeal the unjust income tax on unemployment and trade act benefits, unless there is comprehensive and equitable reform of all tax provisions.
12. Repeal the federal law, which forces states to offset pensions and social security benefits against unemployment insurance benefits.
13. Eliminate the tax deduction for any expenses, legal and otherwise, incurred in litigating social service issues such as labor and unemployment insurance issues.

The UAW urges no further federal unemployment insurance cutbacks. If Congress does consider federal unemployment insurance legislation, then it should largely follow the Report of the National Commission on Unemployment Compensation. That Report favored many of the above UAW proposals.

II. STATE UNEMPLOYMENT INSURANCE PROGRAMS

A. Provide adequate benefit levels

1. Weekly benefit amount of not less than two-thirds of claimant's average weekly wage.
2. A minimum of 75 percent of statewide average weekly wage.
3. Partial benefit formula that allows for work-sharing.
4. Include medical and hospital insurance along with the dollar benefits provided by unemployment insurance.
5. Increase the present limit on the duration of regular state benefits from 26 to 52 weeks. There should be an automatic extension of benefits in periods of high unemployment.

B. Eliminate harsh disqualifications and Unfair Eligibility Requirements

1. There shall be no disqualification in the case of voluntary quit for "good cause," including sexual harassment and compelling family circumstances.
2. Any disqualification for "misconduct" should mean misconduct related to the claimant's employment, and the duration of the penalty should be variable depending on the severity of the action.
3. End the disqualification of workers who are involuntarily unemployed as a result of labor dispute, if the dispute is one in which they have no direct interest or is a lockout initiated by the employer.
4. The meaning and application of the "suitable work" provisions should be decided on a case-by-case basis under state laws. When the claimant has a reasonable assurance of recall by a base period employer or occupation, the claimant should not be disqualified for refusing another job offer during the first six weeks of unemployment.
5. Eliminate specific "actively seek work" and availability for work requirements and instead require job search efforts by the claimant that are appropriate in light of such relevant factors as the hiring practices of the claimant's industry, the local market conditions of the claimant's occupation, and the claimant's particular circumstances.
6. Disqualification penalties should not include a reemployment and earnings requirement and any disqualification should apply only to the separation from most recent work.
7. Individuals should continue to be eligible for benefits if they become temporarily ill or temporarily disabled after they have filed a claim, provided there is no suitable work offered to them and they are not receiving disability insurance payments for the same capacity.

C. Provide fair hearings and assistance to claimants

1. Take all necessary steps to ensure that every element of a fair hearing is provided to both employees and employers who are parties to an appeal.
2. Permit all parties to any hearing or appeal process to have representatives of their own choosing, whether or not such representatives are lawyers.

3. Provide that a labor organization have notice and an opportunity to be heard in any case involving one of its members. It should be especially required that the union of a claimant be notified whenever a claim is denied or where a union contract issue is involved.

4. Provide for acceptance of appeals filed late for reasons beyond appellant's control for good cause, as the state so determines.

5. Information on rights. Clearly advise all parties of their rights in language which is understood by the parties.

6. Establish a toll-free hotline to enable claimants and employers to present questions, including questions about their individual claim and rights.

7. State agency UC libraries or library sections that are now usually available only to state personnel should be open to claimants, employers, and their representatives.

8. Establish an office of ombudsman to provide claimants and needy employers assistance and counseling and provide for claimant advocates to appear before hearing officers and boards.

D. Job Service and employer responsibilities

1. A public, non-fee-charging employment service should aid all persons seeking assistance in obtaining employment. Employers should be required to list all job openings, otherwise should lose their unemployment tax credits.

2. Increase efforts to reduce employer fraud and to recover employer taxes.

Chairman FORD. Thank you, gentlemen.

The administration testified before the subcommittee and said to us yesterday that there was no real need for an extension of Federal Supplemental Compensation, nor was there any real need for us to come back to amend any of the provisions in the 1981 Reconciliation Act, as it relates to the Extended Benefit Program, that the economy is getting better, some 7.5 million new jobs already created.

There was no real need to prolong the agony, that what people really needed was jobs and the administration has made a concerted effort to create those jobs that would be needed for those who are recipients of State unemployment comp benefits, and those who would be eligible for any Federal Supplemental Compensation, as well as if any changes were made for the extended benefits, and was saying that there was no real need that—unemployment is dropping and those three or 400,000 people will trigger on and off the FSC Program.

In that case, why prolong the agony for an additional 8 weeks? Why not eliminate all of the programs and let the 26 weeks that States are paying now for the unemployment comp suffice in the area of unemployment compensation and move forward?

Can I get you to respond to that argument?

Mr. MCGLOTTEN. I don't quite understand their statement of prolonging the agony.

Chairman FORD. I don't think they used that choice of words.

Mr. MCGLOTTEN. The question of whether it is 8, 10, 14 weeks of unemployment compensation is very, very important to an individual out there with no job and a family to feed and a mortgage to pay.

In many cases, the mortgage is lacking, but at least the family is with food. The administration fails to understand there is still 8.5 million people unemployed. You can talk about the whole question of creating jobs, but as long as we have the kind of unemployment that we have, we, Mr. Chairman, say that that situation has to be addressed.

I think what the administration is saying is that they don't want to deal with that situation. They don't want to deal with those 8.5 million people. We feel an obligation as an institution, and we feel that our Government has an obligation to really deal with the plight and the question of those individuals who are unemployed through no fault of their own.

Many of the unemployed who are out there today is a reflection of what we are doing in our society today. The whole question of the trade deficit and what is going on in trade and plants closing, that is no fault of the worker, but the fault of the Federal Government not really understanding the kind of policies it needs in 1984 rather than having a trade law from 1944, so I think there is a definite need to extend the FSC Program, and also restore those provisions in EB that would strengthen the programs in the various States.

Chairman FORD. Mr. Warden?

Mr. WARDEN. Mr. Chairman, let me talk about the automobile industry for just a minute, because I think it is relevant in the context of your question.

Yesterday, Ambassador Brock testified before the Joint Economic Committee, and he was asked a question by the chairman, Chairman Dave Obey, about the recommendation from a cabinet committee of the day before to permit the lifting of the so-called voluntary restraint agreement with the Japanese, which puts a limit on the number of Japanese exports that can come into the country, and that also, by the way, expires on March 31.

I wish this subcommittee could do something about that. I would like to urge you to extend that, but since that is not within your jurisdiction unfortunately, I would just like to say that Ambassador Brock, in the course of his testimony, was actually in a colloquy, responded he felt the Japanese would be showing some restraint and then he said maybe there will be 750,000 additional cars coming into this country.

Well, that voluntary restraint agreement was supposed to have limited cars to 1.85 million per year.

Now, if you take a percentage of 1.85 million and calculate what that would be for 750,000, you come up with about 40 percent, a 40-percent surge, and it is more than a surge, but the Ambassador says that is what is going to happen as a result of this.

Other economists, independent economists, outside of our union, certainly, are estimating that the number is going to be much higher than that, as many as 2 million.

If that happens, obviously, this administration cannot very well say that it is out trying to create jobs, and all of the actions that it has taken because if this VRA is permitted to expire, it will mean tremendous additional job loss for workers in the automobile and related industries.

We estimate that that job loss could be as high as 200,000. That is a lot of jobs and it is a very unhealthy thing for our basic industry in this country, but also very unhealthy for our economy.

I was not here to hear what the administration witness had to say, but I can say this about the situation in the automobile industry. Without any further dislocation, there are 30 automobile plants today that are still closed. Some of those are never going to

reopen, and production has been picked up in some cases in other States, but the fact of the matter is that automobile unemployment is down about 25 percent from its peak in 1978, and many of those people have not gone back to work.

And if they have gone back to work, they have gone back to work frequently in service jobs which are not nearly the kind of jobs that have helped to provide the engine for this economy over a period of time.

These middle-income jobs that we are losing in basic industry should be a source of great concern to everybody on this subcommittee, and in fact, everybody in the Congress, because I think it is a serious problem.

Chairman FORD. Mr. Warden, you highlighted in your statement the 18-month extension of the FSC and also talked about the other legislation that has been introduced by Mr. Pease and other Members of the House.

Would you elaborate on some permanent program to address the problem in case another downturn in the economy occurs, and I know from your testimony, as far as unemployment is concerned, and those out of work, we still do not have a recovery yet.

America is back, but back for whom?

Mr. WARDEN. I think, Mr. Chairman, that is a good question, back for whom? Obviously, the economy may be back for some, but not for all. It is not back for some of your constituents and a lot of Mr. Pease's constituents, who also happen to be my constituents and yours, too, for that matter, and Mr. Campbell's, too.

The economy has not put those people back to work. We like the unemployment compensation as it existed prior to 1981. We have been in to testify and recommend improvements in the system. We felt, for example, that there should be 65 weeks of unemployment comp.

And the labor movement, for as long as I can remember, has always favored Federal standards for unemployment comp to eliminate the problem that you have from one State to the next, since we do have an economy that is interstate.

The most distressing thing was what happened in 1981. There we had a program which began to meet the need in the way we felt it should have been met, and it was decimated, practically destroyed, and destroyed to the point—and it is worth noting again that the unemployment level today is higher than it was at the start of the recession.

To have had this—now, that situation being what it is in States like Michigan, Ohio, Illinois, Pennsylvania, and others, to say nothing of pockets of unemployment located in other States, but then to have a program where you only serve the needs of the long-term unemployment in two States and one territory, Puerto Rico has never triggered off, but Alaska and West Virginia have just come on—that program is not doing what it was intended by the Congress when it was enacted.

I don't believe that a majority in the House of Representatives would have voted for the cuts that were made in that program if everyone had known exactly what was in that reconciliation package.

So I just believe that if you could enact this 18-month extension of FSC, we would at least have that kind of measure of protection for long-term unemployed workers and their families and give the committee the time to go back and look at the reforms that are proposed in Mr. Pease's bill and some of his colleagues, a bipartisan group of members, because we believe those kinds of reforms are needed and it is an innovative proposal and much to recommend it, and I think that that is the kind of starting point that the subcommittee might well assume.

And there are obviously other things we would like to see, and as I say, those recommendations are appended to our statement. They are the kinds of recommendations that we have made over the years.

Chairman FORD. Naturally, we are concerned about the larger States, but there has been a lot of talk about sub-State triggers, and talk about how do we address some of those problems in smaller States like my own, with high pockets of unemployment.

I notice you have not really addressed that particular issue. You made mention of it, but I would like to know, what are your feelings about the sub-State triggers and how we can possibly reach some of the pockets of high unemployment in some of the smaller States, and at the same time be responsive to the larger States?

Mr. MCGLOTTEN. In 1977, this issue was addressed or at least tried to address this issue and at that time, the Labor Department indicated in testimony that they had no information, they did not have the mechanism to gather the information for sub-State triggers, and that was in 1977.

I would venture to say if I remember correctly, when we extended this program to the 15 months, I think they said the same thing in 1983.

I believe that there is some benefit in sub-State triggers. The question is, whether or not we have the information so it can be fair and equitable in terms of looking at the data and then applying some kind of standard.

Presently, we just don't have the data to do that, but I think there is some merit in doing that. There are pockets of unemployment.

If you look at the insured rate of Texas, 1.8 now, and Houston is very, very high in its county because of their unemployment problems that it is having down there, so there is some advantage to that.

The Labor Department keeps saying they don't have the information. If the present cuts go through in shutting down regional offices, staff in the region, we will never have the information, so how do we get to a fair system—you know, we have got a compounding kind of domino effect here in terms of what goes on in terms of the agency.

The agencies should be able to provide us with that kind of information. There is already a mechanism that is there. They give us the severe—well, I think there is a survey that comes out on a monthly basis that shows high-level areas of unemployment.

There ought to be some way to devise the data to come up with a provision dealing with sub-State trigger.

Chairman FORD. An unemployed factory worker who is about to lose his home to foreclosure, is that person any different from the farmer who is about to lose his farm to foreclosure? There has been so much talk about the Congress taking some immediate action in this session of the Congress with the administration in addressing that critical problem with the farmers, and I am sensitive to the farmers.

I am concerned as to the unemployed worker who is the recipient of unemployment compensation benefits, and who is about to lose his home to foreclosure. Is that person any different from a farmer who is about to lose his farm?

Mr. WARDEN. You put your finger on a great similarity that exists out there in the country, and it doesn't apply just to factory workers, but also to farmers, and that is one of the reasons why so many working people around this country, members of the UAW and other AFL-CIO unions, have joined the farmers in rallies throughout the country and will be joining with the farm organizations' representatives on the Hill in trying to push that emergency credit legislation.

And when the omnibus farm bill comes along later this year, we will be working with our friends in the agricultural area to try to enact a farm program that will meet some of the needs of the people out in the countryside.

Just as an aside, the president of the UAW, Owen Bieber, is speaking at the annual convention of the National Farmers Union, and he will be taking them a message of solidarity with American agriculture and the needs of American agriculture because those needs today are just the kind of problem that working people in factories are experiencing in many parts of the country.

When you have an Unemployment Compensation Program that does not reach the kind of situation that we have in Flint, MI, for example, or Detroit, or Memphis, or many other communities, it is not much of a program.

The House, to its credit, we felt in the last Congress, did pass some additional legislation to try to deal with these other economic problems that were facing people.

For example, the mortgage foreclosure relief legislation that the House passed and a jobs bill, in the automobile industry the domestic content bill, which would have been terribly important to unemployed people around the country in auto and related industries, and I think those pieces of legislation should have been adopted.

It would have made a big difference and the mortgage foreclosure relief package, had the Senate concurred in what the House did, it would have been helpful in urban and rural areas also.

Obviously, if people are unemployed and without income, they are unemployed and without income and they deserve the help of their Government, we believe.

Chairman FORD. Thank you very much, Mr. Warden.

Mr. Campbell.

Mr. CAMPBELL. I apologize to the other witnesses. I am going to have to leave soon because I have a doctor's appointment at 11.

Let me start with people who own family farms. They are not eligible for unemployment, are they? They don't participate, do they? I understand their plight, but they are different.

Some testimony was given about changes in the unemployment rules. When we required States to collect more from the workers, we found that most of the States, Michigan in particular, did not collect at a level of other States, and yet paid benefits much higher than other States. That is the reason they got in trouble.

We felt it was incumbent upon us to get everybody on an even keel and that was a decision made by the Congress as a whole, to try to keep on some even keel.

The comment about—and I think you are absolutely correct—that unemployment is too high, I want to agree with. We have created almost 7 million new jobs, and so there are that many more people working. I hope we will never see a time that we go back to the high unemployment, and I want to see us create more jobs.

The fact is that we also went through a surge in people coming into the work force over the last decade, not just because of the two-family earners, but much of it was caused by inflation and persons trying to stay even as a family. We also had the baby boom coming in and is now going out, and so we had a surge in the work force and we have to solve the problem.

I agree with you that perhaps we ought to revisit EB and look at that. Mr. Pease, as you have noted, has made some suggestions there. You have made some, and some we will agree with.

I want to go back to what the chairman mentioned a while ago, something that concerns me, and that is the sub-State trigger. I see a real problem trying to deal with this on a national basis, even on a State basis, when in fact we deal with problems that are much more localized, and I have problems like that.

Every State in the Union has a problem like that. I appreciate your testimony on it, because I think that as we look at the program itself, we ought to be trying to figure out a way to let people get the aid that is needed in specific areas without opening a Pandora's box in the process.

I am glad that we have some agreement on that.

Let me ask you a couple of questions, if I might. The long-term unemployed that we are talking of, they are people that we speak of as being structurally unemployed. That is true of my textile industry and the automobile industry.

They are not going back to work, because the plants have changed and they had to change, to modernize, to stay abreast of competition. If not, it would have been an unfair burden on a lot of persons.

How are we going to help by just giving a few extra weeks of unemployment to that structurally unemployed person.

What are we doing for that person other than prolonging the time when that person has to make a decision that they have to seek work elsewhere?

I am in sympathy with that person, but if they are sitting in an area with a structural problem, and we say hang on, don't go out, what are we doing for that person?

Mr. MCGLOTTEN. The labor movement itself is on record supporting training and counseling during periods of unemployment, hopefully early on. With the cutbacks in Federal funds to the States, in terms of the employment service, and they have no one to talk about training or direct counseling.

And this year's budget, the Job Training Partnership Act is being reduced as a result, I see very little prospect of an individual who is unemployed getting that kind of service.

We are certainly in favor of retraining, but as I said before, I talked about the domino effect. I am from the school of Einstein, everything is relevant. You have to look at things in a very, very, composite sort of way, and we cannot have a system whereby we talk about unemployment compensation without a referral in the kind of training institution that is there and cut back on funds for the Job Training Partnership Act.

It can't happen and expect people out there are going to survive. What do you do from the time the person is unemployed and employed again, look at the total vacuum and fill in the gaps? And I would suggest that certainly we are not suggesting that the extension of FSC will correct that problem.

We will testify at every particuliar stage to ensure that individual gets back to employment, but it becomes difficult.

Mr. CAMPBELL. JTPA is something that should be funded. I cannot agree with you that the FSC is something that should be extended. It is a temporary program. The unemployment rate in this country is the exact same as it was in 1977. We did not go into FSC, even though we had different rules on the EB and have already said that we have some agreement on that.

It is my feeling that we have two problems before us. One is an effort to seek a solution for pockets of structural unemployment. We can either retrain, relocate, or provide jobs for those people.

I do not see that as a national problem. As I look at the statistics all over this country, I see it more localized, and we are dealing with it on a national basis, and I think we ought to try to work on that.

The other problem that we have in this country is the fact that we are also here facing a deficit problem, and anything we do here exacerbates that problem. So we are caught between the two.

Either we deal with the deficit and try to bring it down and realize that that impacts everybody in the country, and we try to deal specifically with areas of high unemployment through some mechanism that we develop. Or else we go back and say, "Let's just extend and keep on spending," and we don't do anything to help the deficit, but in fact, worsen the problem.

That is the dilemma I find myself in in dealing with this.

I don't want to forgive States that had programs that were too generous for the benefit they were paying because we have gotten them to pay back about $9 billion of what they owed to the taxpayers of this country and other States, and so I don't have any sympathy there. But I have a great deal of sympathy for that region or town or county that is sitting there with 20, 25 percent unemployment with no way to move and no job training money.

These people I have sympathy for, and what I would like to leave you with is this thought: I would hope that the UAW and the AFL–CIO and others who concentrate their efforts in working with us to come up with a solution to deal with those areas of structural, high structural unemployment instead of an extension of existing programs on a blanket basis, which works against our efforts to bring the deficit down.

I really and truly invite your input to me either by coming by the office and talking or giving us in writing what you might suggest that we might do that would reform this system to the extent that we could deal with these problems in the future.

Again, I thank you very much for your testimony, and I do apologize for having to leave.

Mr. MCGLOTTEN. Thank you for that invitation and we will be by to see you.

Chairman FORD. Thank you, Mr. Campbell.

The Chair would like to clear up a little matter, in reference to the comments of the farmer versus the unemployed person. I made reference to farmers receiving unemployment comp.

The billions of dollars that this administration has talked about giving to the farmers, and I am very supportive of that, but I am saying that the factory worker should be treated the same.

If we are talking about balancing the budget, talk about the farmers, too, balance the budget there. If we have a factory worker unemployed, why discontinue FSC—if that is the case, balance it across the board with all of them.

Mr. CAMPBELL. I don't want to bail out the corporate farms that profit off of Government subsidies, but I do care about the family farmer, and to my knowledge, we never gave him any FSC.

We have three times extended FSC here.

Chairman FORD. How many times did we bail the farmers out? We both support the farmers, but what is good for the farmer is also good for the unemployed factory worker as well.

Mr. CAMPBELL. I would say that very frankly, so some of the farmers we ought to be helping are those farmers who were the family farm, the full-time farmer, the people that had their investment there, through no fault of their own, through Government policies, grain embargoes, whatever, got in trouble, or through weather, that is where we ought to be helping.

My point is that we ought not be helping the farmer that went out and bought extra land to speculate on prices increasing because of the fact that he thought he could make money. Nor should we be helping the corporate farm that is set up using tax writeoffs and living off of Government subsidies.

Those people I don't want to help, and I can draw the same parallel with the fact that I want to help those workers in high areas of structural unemployment and I want to target my efforts in both instances. I don't want to throw the blanket out there and wind up in situation where the highest paid worker or the biggest farmer winds up with the most aid that the Government gives because that is not our solution.

Chairman FORD. I can appreciate that, and appreciate it very much. We are in agreement on that. It is just that those imported cars and no quotas created by the Congress have created the high unemployment in those industrial States. I am not from one of them. I am from another State.

I can appreciate you, Mr. Campbell, as the ranking minority member of the committee, you have expressed a genuine concern, and I appreciate that. I support the farm subsidy legislation that might be forthcoming, in the next week, here on the House floor and will share and give my support on those bills.

Mr. CAMPBELL. We ought to proceed with caution instead of a blanket aid. We have made that mistake in the past in aid programs.

We make a general aid program and I wind up with a situation where my people who may have been working in a textile plant have a higher unemployment rate, and they wind up getting less money in a blanket aid situation where they need help probably as much or more. And I am making the same analogy with the farmer.

I think we probably agree on where we need to try to help them. It is in the House that we do it. The point I want to make, again, which has no reference to your discussion on it, is that I am not willing to go out and throw open a new program across the board one more time so we can help pockets and have a lot of people get aid, farmers, workers, anybody else, when in fact there is an opportunity available to them somewhere else.

I am concerned with that worker who does not have that opportunity and that farmer who doesn't, and that is about where we are.

Chairman FORD. We are going to make sure your district is included in this bill, Mr. Campbell.

Thank you, gentlemen.

Rev. Charles Bergstrom, director of the Office for Government Affairs. Welcome before the subcommittee, we are delighted to have you.

STATEMENT OF REV. CHARLES V. BERGSTROM, DIRECTOR, OFFICE FOR GOVERNMENTAL AFFAIRS, LUTHERAN COUNCIL, U.S.A., ON BEHALF OF THE FULL EMPLOYMENT ACTION COUNCIL, ACCOMPANIED BY LEON SHULL, LEGISLATIVE REPRESENTATIVE

Reverend BERGSTROM. I would like to welcome Mr. Leon Shull. He is our legislative representative for the Full Employment Action Council, and I request that a copy of the letter attached to our testimony be included as part of the total testimony.

Chairman FORD. The letter will be made a part of the record, Reverend.

Reverend BERGSTROM. I am the director of the Office for Governmental Affairs of the Lutheran Council, as well as appearing on behalf of the full employment action council this morning.

I would like to omit from this spoken presentation two large sections, pages 3 and 4, of my testimony, because it has been well covered, and I will make two brief insertions in its place.

I hope most of what we have here will be variations of the problems as we see it. We are pleased to present these views of the full employment action council, a coalition of religious, labor, civil rights, women's, youth, and other organizations that supports policies and programs to deal with the problems of unemployment and underemployment.

FEAC and 50 of its allied groups have urged Congress to take prompt action to ensure more adequate benefits for the long-term jobless and their families. The list indicates the large number of these groups and the representative quality.

Despite improvements in the overall unemployment rate since the depths of the 1982 recession, our Nation today faces a continuing economic and social crisis. In 1984, unemployment hovered at an average official rate of 7.5 percent, significantly higher than it was at the end of the 1970's, when it was 5.8 percent, and substantially higher than anytime in the two decades immediately following the Second World War.

In fact, since World War II, 9 of the country's 10 highest jobless rates have come during the last 10 years.

In January 1985, unemployment and underemployment affected 15.4 million persons. I would like to underscore the word "persons." These are people. In addition to the 8.5 million persons looking, but unable to find work, there were 5.6 million persons working part-time for economic reasons and 1.3 million individuals too discouraged to even search for a job. If all these persons were included in the unemployment rate, we estimate the "real" jobless rate would be 13.3 percent.

In other decades, today's level of unemployment would be regarded as intolerable. Rather than signifying recovery, a 7.5 percent official annual unemployment rate would spell recession.

Through a progression of peaks and valleys in which, over time, increases in unemployment have exceeded decreases, however, the Nation's threshold of "economic pain" seems to have crept tragically upward.

The deterioration in the employment picture has resulted in gross disparities among workers, communities, and industries and spelled longer periods of joblessness for many of the unemployed.

For example, blacks, Hispanics, female heads of families, and youths are suffering double-digit rates of joblessness. In November 1984, all of the areas ranking in the top 20 communities in severity of joblessness had official rates of joblessness above 10 percent; 18 of them had "real" rates above 20 percent. Of the Nation's States, 31 had higher "real" rates of unemployment than 4 years ago, before the recession began.

Moreover, last year, the average duration of unemployment was 18.2 weeks, compared with 13.7 weeks in 1981. It is little wonder that many of the country's workers and communities are asking, "Whose recovery is it, anyway?"

I read just yesterday an article entitled, "Silent Screams." It was written well before the showing of a similar film which is here in our community depicting the seriousness of abortion.

This describes the problem, Mr. Chairman, of the silence of the unemployed so often. Some of them, because of pride or for whatever reasons, often are not heard and for whatever reasons, we do not get a chance to hear them.

They are not the front-page stories. Pittsburgh, PA, has been an indication of that constant tragedy for the Lutheran churches, as some of those pastors tried to do and say something about the unemployment in that area.

We began an effort recently to take a look at unemployment in terms of the Federal budget. Of the 53 bishops in the United States, every one of them signed a statement of serious concern about unemployment and poverty and asking that no more cuts be made in the Federal budget affecting these people.

Three hundred fifty-four Lutheran social service agencies, representatives totaling 600, will gather in Denver, CO, to discuss these areas. They are experiencing what is happening to people because of unemployment and poverty.

In 1984, only 34 percent of the jobless collected any type of unemployment compensation. Among those unemployed over 6 months, that figure declined to just under 25 percent. It should be noted that these are workers who are looking for work and can find none, through no fault of their own.

A principal purpose of the unemployment compensation system is to provide partial wage replacement to involuntarily unemployed workers with a recent work history. By this standard, the unemployment compensation system is clearly not meeting its objective.

These next two paragraphs have been well-covered by the previous two speakers.

The IUR is an artificially restrictive measure. It excludes large numbers of unemployed workers, among them workers who have exhausted basic unemployment benefits. Thus, in recent months, many States with high official total unemployment rates have had relatively low IUR's.

For example, in December, Alabama, which ranked third in TUR, ranked only ninth in IUR. Even West Virginia, where I recently visited to testify, with a TUR of 15.6 percent, could not trigger on EB because it had an IUR of only 5.0 percent.

If we applied our calculations of the real unemployment rate in a State, taking into account underemployment and discouraged workers, the gap between actual unemployment and IUR would be even starker. In either case, it is clear that the IUR is an inappropriate measure for determining the payment of extended benefits.

The Full Employment Action Council urges you and other members of the committee to make this whole area a top priority for the subcommittee, and we hope for the rest of Congress.

Action to provide more adequate benefits is essential for the unemployed, for their families, who are struggling to make ends meet, and for hard-hit communities that are still reeling from the aftermath of the worst recession to hit this Nation in 50 years. It would be the height of insensitivity not to rank action on this matter as a priority of the first order.

Then these brief concluding comments. I served as a parish pastor for 29 years before coming here to Washington. I still resent the constant comments about people who don't want to work. I don't remember meeting many of them.

I remember many of them constantly looking for jobs, and in those days, many of us in my work supported the Humphrey-Hawkins bill and other efforts to help these people. We did that on the basis of justice and rightness for all of the people.

Much of my testimony in recent years has been on other social justice kinds of issues such as school prayer, which are important issues, but not nearly as important as this, the kind of issue that we ought to be promoting and working for.

We hide the poor and those unjustly treated so easily. I recently spoke to the National Jewish Community Relations Advisory Committee in San Francisco, CA, and there I was asked many questions about poverty and unemployment.

I spoke in South Dakota late in January and read stories about members of farm families and others hard hit because of machinery not being manufactured for farms, about their husbands talking about suicide. So we are talking about real people.

I would also like to underscore the major churches feeling about this whole issue of Government and its responsibility. We believe that God works through Government just as much as he works through the churches and maybe sometimes more, and we don't understand the statements that this should not be the Government's business.

On the basis of Scripture, responsibility and justice, it is one of our most important businesses. Religion ought to be more than an occasional showpiece for a person testifying before a committee in Congress or a person quoting very, very poorly individual Bible verses to support viewpoints.

The entire Scripture is to be used as a basis for what we do. Deficits are going to affect children. Prayer is something that is deeply personal and precious, as are deeply religious symbols.

We are talking about something that affects the lives of people, and I hope you and other members of the committee, even though not here, will do everything possible to underscore what we feel so intensely about.

[The prepared statement follows:]

STATEMENT OF REV. CHARLES V. BERGSTROM, DIRECTOR, OFFICE FOR GOVERNMENTAL AFFAIRS, LUTHERAN COUNCIL, U.S.A., ON BEHALF OF THE FULL EMPLOYMENT ACTION COUNCIL

I am Reverend Charles Bergstrom, Director of the Office for Governmental Affairs of the Lutheran Council, U.S.A.

I am pleased to have this opportunity to present the views of the Full Employment Action Council (FEAC), a coalition of religious, labor, civil rights, women's, youth and other organizations, that supports policies and programs to deal with the problems of unemployment and underemployment. FEAC and 50 of its allied groups have urged Congress to take prompt action to ensure more adequate benefits for the long-term jobless and their families.

EMPLOYMENT AND UNEMPLOYMENT—WHOSE RECOVERY IS IT, ANYWAY?

Despite improvements in the overall unemployment rate since the depths of the 1982 recession, our nation today faces a continuing economic and social crisis. In 1984, unemployment hovered at an average official rate of 7.5 percent, significantly higher than it was at the end of the 1970s (when it was 5.8 percent) and substantially higher than anytime in the two decades immediately following the Second World War. In fact, since World War II, 9 of the country's 10 highest jobless rates have come during the last 10 years.

In January 1985, unemployment and underemployment affected 15.4 million persons. In addition to the 8.5 million persons looking, but unable to find work, there were 5.6 million persons working part-time for economic reasons and 1.3 million individuals too discouraged to even search for a job. If all these persons were included in the unemployment rate, we estimate the "real" jobless rate would be 13.3 percent.

In other decades, today's level of unemployment would be regarded as intolerable. Rather than signifying recovery, a 7.5 percent official annual unemployment rate would spell recession. Through a progression of peaks and valleys in which, over time, increases in unemployment have exceeded decreases, however, the nation's threshold of "economic pain" seems to have crept tragically upward.

The deterioration in the employment picture has resulted in gross disparities among workers, communities and industries and spelled longer periods of joblessness for many of the unemployed.

For example, blacks, Hispanics, female heads of families, and youths are suffering double digit official rates of joblessness. In November 1984, all of the areas ranking

in the top 20 communities in severity of joblessness had official rates of joblessness above 10 percent; 18 of them had "real" rates above 20 percent. Of the nation's states, 31 had higher "real" rates of unemployment than four years ago, before the recession began.

Moreover, last year, the average duration of unemployment was 18.2 weeks, compared with 13.7 weeks in 1981.

It is little wonder than many of the country's workers and communities are asking, "Whose Recovery Is It, Anyway?"

FULL EMPLOYMENT PROGRAM IS NEEDED

In 1984, only 34 percent of the jobless collected any type of unemployment compensation. Among those unemployed over six months, that figure declined to just under 25 percent. It should be noted that these are workers who are looking for work and can find none through no fault of their own. A principal purpose of the unemployment compensation system is to provide partial wage replacement to involuntarily unemployed workers with a recent work history. By this standard the unemployment compensation system is clearly not meeting its objective.

If Congress fails to act by March 31, the unemployment compensation system's defects could be exacerbated. The Federal Supplemental Compensation (FSC) program, which provides 8 to 14 weeks of benefits to the long-term jobless, is due to expire on that date. Currently, that program, the third tier of the system, provides the only extended benefits that most jobless workers can collect.

Most workers are unable to receive any compensation under the second tier, the Extended Benefits (EB) program, because their states do not qualify. Today, only Alaska and Puerto Rico have Insured Unemployment Rates (IURs) high enough to trigger EB.

The IUR is an artificially restrictive measure. It excludes large numbers of unemployed workers, among them workers who have exhausted basic unemployment benefits. Thus, in recent months many states with high official Total Unemployment Rates (TURs) have had relatively low IURs. For example, in December, Alabama, which ranked third in TUR, ranked only ninth in IUR; similarly, Michigan, which ranked fifth in TUR, ranked only tenth in IUR. Even West Virginia, with a TUR of 15.6 percent, could not trigger on EB because it had an IUR of only 5.0 percent. If we applied our calculations of the "real" unemployment rate in a state, taking into account underemployment and discouraged workers, the gap between actual unemployment and IUR would be even starker. In either case, it is clear that the IUR is an inappropriate measure for determining the payment of extended benefits.

ACTION URGENTLY NEEDED

Legislation is urgently needed to protect and reform benefits for the long-term jobless, including for those who have already exhausted their compensation in recent months and are still unemployed. Failure by Congress to act by March 31 will condemn nearly 400,000 long-term unemployed persons to an unjustified cut-off of essential income after 26 weeks.

Several bills are worthy of your attention. H.R. 890 would extend the FSC program for 18 months, thereby ensuring that persons unemployed for long periods of time could receive 8 to 14 weeks of additional benefits. H.R. 1072 recognizes deficiencies in the current method for triggering EB and makes some improvements in a system that is badly in need of reform. If a trigger is required for payment of long-term benefits, it ought to be related to the TUR and not solely to the IUR.

We urge you to make this a top priority for your subcommittee and for the rest of Congress. Action to provide more adequate benefits is essential for the unemployed, for their families who are struggling to make ends meet, and for hard hit communities that are still reeling from the aftermath of the worst recession to hit the nation in 50 years. It would be the height of insensitivity not to rank action on this matter as a priority of the first order.

[Attachments]

FULL EMPLOYMENT ACTION COUNCIL,
Washington, DC, February 6, 1985.

DEAR REPRESENTATIVE: On March 31, 1985 benefits under the Federal Supplemental Compensation Program (FSC) will end unless Congress takes timely action.

Failure by Congress to act promptly will condemn three hundred thousand long-term unemployed to an unjustified cut off of essential income after 26 weeks. The

seriousness of the problem is highlighted by the 20 percent increase during the last four years in the number of long-term unemployed, now numbering 1,402,000. It should be noted that these are workers who are looking for employment and can find none through no fault of their own. It would be the height of irresponsibility for Congress to fail to review the extended benefit sections of the Unemployment Compensation (UC) system.

We the undersigned urgently request prompt action by Congress before the March 31, 1985 deadline. There are, of course, other serious problems that affect the UC system. The three components of the system include the basic, Extended Benefits, and the FSC already discussed above. A principal purpose of the UC system is to provide partial wage replacement to involuntarily unemployed workers with a recent work history. By this standard the UC system is clearly not meeting its objective.

The increasingly high level of long-term unemployment has resulted in many workers remaining unemployed even after they exhaust UC benefits. In fact, in 1984 only 34 percent of the unemployed received UC causing substantial deprivation.

We would urge that Congress move promptly to revise the entire UC system and we are prepared to offer our ideas on improving the system.

Because of the urgency of the need, we reiterate our view that pompt action is vital to prevent additional undeserved suffering.

Sincerely,

CORETTA SCOTT KING.
MURRAY H. FINLEY.

THE POOR AND OUR NATIONAL BUDGET

The nation's fundamental priorities are reflected in the budget choices it makes. This year, the soaring federal deficit makes particularly difficult the decisions on how much revenue our nation must raise and how that revenue is to be spent. Amid the clamor of various groups seeking to protect their own interests, the church must speak clearly on behalf of those at home and abroad whose pressing human needs require not only private charity but also government action.

Our deficit dilemma has no painless solutions. However, the sacrifice required must be distributed in accordance with the ability of individuals and groups to bear it. The allocation of limited resources should be based on a thorough evaluation of the utility and effectiveness of tax breaks, military spending and social programs.

In working for a fair "distribution of sacrifice," budget cuts and tax changes proposed for the 1986 fiscal year should be viewed in their broader context. Programs for the poor, which comprise approximately one-tenth of the federal budget, have been cut proportionately deeper than other programs benefitting all Americans. In addition, while the 1981 tax cut decreased the tax burden of many affluent Americans, persons at or below the poverty line have found themselves paying a greater percentage of their income in taxes. Due to these changes and to the effects of the recent recession, the standard of living of many poor Americans has deteriorated significantly and their numbers have grown. While voluntary organizations have responded to this increase in poverty, they have not been able to ensure that the needs of the poor—many of them children—are adequately met.

Given the high rate of both unemployment and poverty, we believe that a top budgetary priority should be securing adequate funding for human needs and income maintenance programs, with federal standards ensuring that such funds are targeted to persons in greatest need. We would assert that:

No one in this prosperous country should be forced by economic conditions to go hungry or homeless or lack adequate medical care. Even with current funding levels, federal benefits to poor families are often insufficient to provide adequately for their basic needs. We therefore oppose any further reductions in the programs—the so-called "social safety net"—which provide for the immediate needs of low-income Americans: Food Stamps, Aid to Families With Dependent Children, Medicaid, Supplemental Security Income for the elderly poor, and low-income housing and energy assistance programs. Eliminating cost-of-living adjustments or "freezing" funding levels for these programs will further depress the overall standard of living of low-income families. Given the cuts which have already been made in these programs in recent years, we cannot support such a strategy.

Targeting special assistance to persons with special needs is good short- and long-term public policy. A dollar saved in program cuts today may result tomorrow in extended health care costs, disruptions in earnings, unemployment and other drains on our economy. For example, the WIC program provides special foods to certain

low-income pregnant and nursing women, infants and children. However, even at current funding levels, many persons certified to be at nutritional risk are aleady being turned away, increasing the possibility of long-term damage to their health. Further cuts would exacerbate this situation. Social services to keep families intact, child nutrition efforts, and health programs addressing the specific needs of low-income children are a crucial investment in our nation's welfare.

Persons with earnings at or below the poverty line should not pay federal income taxes. The 1981 cut in tax rates did little to address the specific needs of the working poor. Failure to adjust for inflation the earned income tax credit and other tax provisions means that the government is taxing away a greater and greater percentage of the dollars which the poor desperately need to provide a minimal living standard. This makes little social sense and should be changed.

Programs which address some of the root causes of poverty should be strengthened and improved. These programs include education assistance for disadvantaged students and communities, job training and legal services. Efforts to reduce the unacceptably high level of unemployment, which is devastating to individuals and families, must be a major commitment of government.

The needs of the poor abroad cannot be ignored. The African tragedy highlights the need for both direct food aid and development assistance in less developed areas throughout the world. The outpouring of donations to deal with famine indicates deep concern over the plight of the hungry abroad. However, the work of our voluntary agencies complements but cannot replace intentional government action in areas of aid, trade and development.

Our churches assert that the responsibility for addressing the needs of the poor is shared among individuals and institutions at every level of society. Private charity certainly plays an important role in this endeavor, and we encourage our own members to continue responding generously to the growing problems of poverty, both at home and abroad. But in our complex and highly mobile society, meeting the needs of the poor in all localities is beyond the capacity of charitable institutions. The federal government has an appropriate role in meeting immediate needs, as well as addressing the systemic causes of poverty. We value partnership between the voluntary and the government sectors in attempting to assist the poor to participate more fully in our economic life—but we strongly resist cuts in funding which undermine that partnership and seriously reduce the government's role in meeting pressing human needs.

LUTHERAN CHURCH IN AMERICA

(The Rev. James R. Crumley, Jr., Bishop, Lutheran Church in America)

The Rev. John Adam, Bishop, Slovak Zion Synod.
The Rev. Thomas L. Blevins, Bishop, Pacific Northwest Synod.
The Rev. Herbert W. Chilstrom, Bishop, Minnesota Synod.
The Rev. Paul E. Erickson, Bishop, Illinois Synod.
The Rev. James A. Graefe, Bishop, Metropolitan New York Synod.
The Rev. Franklin C. Heglund, Bishop, Rocky Mountain Synod.
The Rev. Herluf M. Jensen, Bishop, New Jersey Synod.
The Rev. Harold R. Lohr, Bishop, Red River Valley Synod.
The Rev. Howard J. McCarney, Bishop, Central Pennsylvania Synod.
The Rev. Virgil A. Moyer, Jr., Bishop, Virginia Synod.
The Rev. Edward K. Perry, Bishop, Upper New York Synod.
The Rev. Gerald S. Troutman, Bishop, Southeastern Synod.
The Rev. Harold S. Weiss, Bishop, Northeastern Pennsylvania Synod.
The Rev. Robert S. Wilch, Bishop, Wisconsin—Upper Michigan Synod.
The Rev. Royall A. Yount, Bishop, Florida Synod.
The Rev. Dennis A. Anderson, Bishop, Nebraska Synod.
The Rev. Herman W. Cauble, Bishop, South Carolina Synod.
The Rev. Edelmiro Cortes, Bishop, Caribbean Synod.
The Rev. Roger J. Gieschen, Bishop, Central States Synod.
The Rev. Lawrence L. Hand, Bishop, Southeastern Pennsylvania Synod.
The Rev. Raymond A. Heine, Bishop, Michigan Synod.
The Rev. Ralph A. Kempski, Bishop, Indiana—Kentucky Synod.
The Rev. Kenneth R. May, Bishop, Western Pennsylvania—West Virgina Synod.
The Rev. Michael C. D. McDaniel, Bishop, North Carolina Synod.
The Rev. Stanley E. Olson, Bishop, Pacific Southwest Synod.
The Rev. Kenneth H. Sauer, Bishop, Ohio Synod.
The Rev. Philip L. Wahlberg, Bishop, Texas—Louisiana Synod.

The Rev. Paul M. Werger, Bishop, Iowa Synod.
The Rev. Harold R. Wimmer, Bishop, New England Synod.
The Rev. Morris G. Zumbrun, Bishop, Maryland Synod.

THE AMERICAN LUTHERAN CHURCH

(The Rev. David W. Preus, Presiding Bishop, the American Lutheran Church)

The Rev. Darold H. Beekmann, Bishop, Southwestern Minnesota District.
The Rev. L. David Brown, Bishop, Iowa District.
The Rev. Lowell O. Erdhal, Bishop, Southeastern Minnesota District.
The Rev. Robert H. Herder, Bishop, Northern Wisconsin District.
The Rev. E. Harold Jansen, Bishop, Eastern District.
The Rev. Clifford R. Lunde, Bishop, North Pacific District.
The Rev. A.C. Schumacher, Bishop, Southern Wisconsin District.
The Rev. Nelson W. Trout, Bishop, South Pacific District.
The Rev. August E. Wenzel, Bishop, Southern District.
The Rev. David A. Wolber, Bishop, Southeastern District.
The Rev. Bernell L. Boehm, Bishop, Ohio District.
The Rev. Norman D. Eitrheim, Bishop, South Dakota District.
The Rev. Wesley N. Haugen, Bishop, Eastern North Dakota District.
The Rev. Reginald H. Holle, Bishop, Michigan District.
The Rev. Gilbert M. Lee, Bishop, Northern Minnesota District.
The Rev. Ehme R. Osterbur, Bishop, Illinois District.
The Rev. Marvin J. Schumacher, Bishop, Western North Dakota District.
The Rev. Wayne E. Weissenbuehler, Bishop, Central District.
The Rev. Norman G. Wick, Bishop, Rocky Mountain District.

ASSOCIATION OF EVANGELICAL LUTHERAN CHURCHES

(Will L. Herzfeld, Bishop, Association of Evangelical Lutheran Churches)

The Rev. Walter W. Grumm, Bishop, Pacific Regional Synod.
The Rev. Rudolph P.F. Ressmeyer, Bishop, East Coast Synod.
The Rev. Harold L. Hecht, Bishop, English Synod.
The Rev. Robert H. Studtmann, Bishop, Southwest Regional Synod.

Chairman FORD. Thank you, Reverend, we will address this particular problem. There is a vote on the House floor, and there are several questions that I thought about when you were going over your testimony, but is there any way possible for this subcommittee to be privy to a copy of the statement of the letter that was signed by the 53 bishops?

If you would submit that back to the committee, I certainly would appreciate it, and thank you very much for your testimony and for coming before the subcommittee.

The committee will call up the National Chamber of Commerce, as well as the Council of State Chambers of Commerce and we will recess for 15 minutes, because there is a recorded vote on the House floor, and we will be back.

[Recess.]

Chairman FORD. Mr. Don Whiteley, Mr. Samuel Roth of the Chamber of Commerce of the United States, and Mr. Whiteley, who is a member of the Council on Unemployment Insurance, and Mr. Samuel A. Roth, associate manager of employer relations, as well as Mr. Edward H. Kay, Jr., chairman, Unemployment Compensation Subcommittee of the Employee Benefits and Relations Committee, accompanied by Mr. William R. Brown, president.

Mr. Whiteley.

STATEMENT OF DONALD P. WHITELEY, MEMBER, COUNCIL ON UNEMPLOYMENT INSURANCE, CHAMBER OF COMMERCE OF THE UNITED STATES, AND PROFESSIONAL EMPLOYMENT REPRESENTATIVE, ICI AMERICAS, INC., ACCOMPANIED BY SAMUEL A. ROTH, ASSOCIATE MANAGER, EMPLOYER RELATIONS

Mr. WHITELEY. Thank you very much.

Sam Roth is here on my right, who is the associate manager, employer relations, and staff executive for the Council of Unemployment Compensation for the U.S. Chamber of Commerce.

I am Donald Whiteley, professional employment representative for ICI Americas, Inc., a former secretary of labor for the State of Delaware, and a member of the U.S. Chamber's Council of Unemployment Compensation on whose behalf I appear today. Accompanying me is Samuel A. Roth.

I would like to summarize in the interest of time, and ask the total statement be made a part of the record.

Chairman FORD. It will be made a part of the record.

Mr. WHITELEY. Thank you, Mr. Chairman.

We commend this subcommittee for its interest in reform of the unemployment compensation system and we appreciate the opportunity to appear on behalf of the chamber to present our views.

Our members, large and small, have a vital stake in the unemployment compensation system, which not only is financed primarily by employers, but also serves to stabilize employment and sustain purchasing power during economic downturns. We support a sound Unemployment Compensation Program. We believe that the present Federal-State partnership generally has served the Nation well.

We share the subcommittee's concern for the problems of the long-term unemployed, which are the subject of this hearing. However, we do not believe that it is good policy or practice to use the Unemployment Compensation Program to serve the needs of such individuals.

Moreover, we are concerned that in its oversight of the Unemployment Compensation Program, the subcommittee has not addressed the immediate problem of enormous magnitude, improper payments that have reached enormous dimensions.

The true scope of the improper payments problem was documented in a study prepared for the National Commission on Unemployment Compensation by Profs. Jerry Kingston and Paul Burgess of Arizona State University. Their research demonstrated that up to one-third of all unemployment compensation payments in the five or six-State study are improper payments.

The U.S. Department of Labor responded by instituting the Random Audit Program to corroborate the Kingston-Burgess findings on a nationwide basis. DOL subsequently has designed an impressive Quality Control Program using state-of-the-art computer equipment.

We applaud this effort. However, concerns have surfaced regarding continuing delays over the implementation of the QC Program and the fact that not one hearing has been held by this committee relative to benefit payment accuracy in the Unemployment Compensation Program.

We strongly urge that this subcommittee hold oversight hearings on this subject as soon as possible and that DOL implement demonstration projects in selected States without further delay so that any final adjustments can be made on a timely basis.

On a parallel track, the national chamber foundation has commissioned a further unemployment compensation overpayments, and underpayments, study working with Kingston and Burgess. The NCF is a public policy research organization affiliated with the U.S. Chamber.

The study, due later in 1985, is aimed at increasing incentives for payment accuracy for all Unemployment Compensation Program participants, administrators, employers, and claimants alike.

The NCF study's advisory board includes both chamber members and State government officials involved in administering the Unemployment Compensation Program. We also request the subcommittee's assistance in assuring the active cooperation of Federal and State officials in completion of the NCF study.

Before turning to the legislation for which comments are requested, on February 13, the chamber's board of directors unanimously reaffirmed the chamber's position on unemployment compensation declarations.

This action followed unanimous reaffirmations by the chamber's Council of Unemployment Compensation and Committee on Employee Benefits on January 24 and 31, respectively.

This thorough review and reaffirmation will, of course, provide the basis for the chamber's response to legislative initiatives in the 99th Congress as well as our comments here today.

The chamber's board also unanimously adopted a position opposing further taxation of social insurance benefits, unemployment and workers' compensation benefits, as contrary to the goal of adequate and equitable income support.

We commend to your attention the attachment to this testimony, an article discussing such taxation which appeared in the chamber publication, "The Business Action Network: Washington Watch."

We will now address the specific legislation before us today.

REAUTHORIZATION OF FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

Legislation has been introduced, H.R. 890, Pease of Ohio and others, and H.R. 982, Rahall of West Virginia, to extend FSC for 18 months and 2 years, respectively.

The chamber opposed supplemental Federal extensions beyond EB, and the FSC Program should be allowed to expire in March 1985. Such extensions are costly and run counter to creating an incentive to return to work.

Furthermore, the impetus for the creation and subsequent reauthorizations of FSC—chronically and extremely high unemployment rates—is no longer present.

Such extensions, if in effect, should continue to be wholly financed, including administrative costs, from Federal general revenue because they are not unemployment insurance. However, we note that there has been no enforcement of the enabling legisla-

tion's provision for charging FSC administrative costs to Federal general revenues.

Failure to do so only diverts needed funds—to provide job search assistance and combat rampant fraud and abuse—from State Unemployment Compensation Programs. Congress should require that all FSC costs, past and future, be charged to general revenues.

The Congress should also consider the cost of further extensions of FSC. The Congressional Budget Office has estimated that an 18-month extension of FSC will cost the Federal Government nearly $3 billion, including nearly $1.9 billion in fiscal year 1986. This extension would occur during a period where the unemployment rate is projected to decline to 6.9 percent in July 1986, according to the CBO.

At a time when reducing the Federal deficit, and Federal spending, is the order of the day, reauthorizing FSC would send the States the wrong signal relative to fiscal responsibility.

Clearly, other factors have had as much to do with the doings of FSC as unemployment. To mention just a few egregious examples, 8 weeks of FSC are paid in 8 States whose IUR is below 2 percent and in 16 more whose IUR is below 3 percent. Indeed, only 11 States have an IUR over 4 percent, as of January 26, 1985.

Moreover, the remaining debt from the FSB Program should also be charged the general revenues rather than FUTA receipts. When FSB was established, initially its costs were charged to the FUTA-funded account used for EB.

That account had insufficient revenues for its original purpose, and loans were extended from general revenues to cover FSB. In addition, a temporary 0.2-percent FUTA surcharge was imposed on all employers, regardless of their experience with layoffs, to repay the debt.

Congress recognized that benefits to the long-term unemployed should not be an employer obligation when it reauthorized FSB in 1977 and when it established FSC. By charging the FSB debt to general revenues, the temporary 0.2 percent surtax would expire.

Easing the payroll tax burden on business in this fashion would give added incentive for employers to boost employment that would mitigate the need for continuing benefit extensions.

EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 1985

H.R. 1072, the Extended Unemployment Compensation Act of 1985, would overhaul the Federal program of extended and supplemental unemployment compensation. This would be accomplished by doing away with the distinction between EB and FSC, and mandating one permanent extension of up to 35 weeks for claimants who exhaust State benefits.

The chamber opposes H.R. 1072 and the concepts on which it is based.

The bill uses a sliding scale linked to the unemployment rate to determine the number of extra weeks and the mix of funding. The trigger rate would be linked to the total unemployment rate, a statistically unreliable measure that also includes numerous individuals not counted in the insured rate.

The bill also would raise the cost of EB and shift a substantial part of the cost of FSC from Federal general revenues to State and Federal unemployment tax revenues, reversing the current FSC provisions requiring complete funding from Federal general revenues.

The impact on the unemployment trust fund would be profound. A substantial tax drain would befall States now struggling to repay a cumulative debt of more than $9 billion.

These added costs would jeopardize State eligibility for interest and loan relief by forcing liberalization of State laws to conform with the legislation, despite the enormous political sacrifices States have made to restore solvency.

Merging EB and FSC is unwise and costly to the States, to employers, to the Federal Government and, ultimately, to consumers. EB, due to the 1981 changes and a 1982 Federal unemployment tax increase, is finely targeted and became solvent for the first time in 1983.

FSC remains loosely targeted with little effort made to link FSC with job search assistance, the method proven most cost-effective in removing workers from the jobless roles.

H.R. 1072 would discourage the progress being made in helping the unemployed gain jobs. Economic studies have repeatedly demonstrated that extending the potential or permanent duration of benefits induces a claimant to draw benefits longer.

In addition, H.R. 1072 would affect adversely the many aspects of unemployment compensation beyond short-term cash assistance. Unemployment compensation is an important component of our national employment and training and related human resources services, providing job market service designed to aid in the pursuit of reemployment.

The heavy claims load and the longer availability of benefits under these proposals inhibit the State administering agencies from providing these supplemental services.

Finally, and perhaps most ironically, the increased payroll taxes needed to fund the new system would increase the difficulty for business to maintain and expand employment.

In addition to proposals for extending maximum benefit duration, the subcommittee is reviewing proposals to aid the long-term unemployed by partial or complete redesign of the Unemployment Compensation Program.

Many of these proposals involve worksharing, payment of unemployment compensation benefits in a lump sum, and linkage of unemployment compensation trust funds and benefits with retraining, education, or relocation assistance. These proposals are addressed in detail below.

While we share the subcommittee's concern for the long-term unemployed, we reiterate that the Unemployment Compensation Program is not suitable for addressing their needs. We believe that proposals to do so not only would be unsuccessful, but could hamper the system's ability to meet its existing obligations.

Moreover, the States already have the authority to design innovative benefit plans if they so choose. For example, several States now pay benefits for partial unemployment to individuals partici-

pating in worksharing plans. We believe that such authority should continue to remain with the States.

We believe that a more appropriate response to the needs of the long-term unemployed is provided by the Employment and Training Program for dislocated workers created by the Job Training Partnership Act of 1982. We also believe that unemployment compensation benefits are insurance against short-term unemployment and are not intended for the long-term unemployed.

Finally, we want to call to the subcommittee's attention numerous examples of State and Federal programs already in place whose major objectives are directed at the longer term unemployed. These are briefly outlined after our comments on H.R. 646, H.R. 758, and H.R. 759.

H.R. 646, the Unemployment Compensation Reform Act of 1985, would reinstitute the lower Extended Benefit Program national trigger rates, permanently extend the FSC program, and institute substate or subarea triggers and benefits, along with other provisions.

The chamber opposes H.R. 646 and the concepts on which it is based.

As previously mentioned, we oppose any reversal of the 1981 EB reforms, have already suggested further measures which would further refine the EB Program, have urged that FSC be allowed to expire on March 31, and have stated that any use of the TUR is inappropriate.

Substate or subarea trigger rates are infeasible and costly to administer. DOL reported to the Congress on this topic in May 1984, and concluded:

> While the specifications of particular proposals may vary, it is not currently feasible to implement a substate program which follows the generally accepted principles upon which current UI programs are based and meets reasonable standards of accuracy and timeliness.
>
> To develop such a program would require a significant increase in resources, an extensive amount of time—probably at least 2 years—and resolution of difficult policy and technical issues. In addition, the costs of implementation are likely to be substantial.

H.R. 758, the act of 1985, is aimed at "improving unemployment compensation programs carried out by the States" in a variety of ways, chiefly by encouraging States to implement worksharing unemployment compensation benefits arrangements by payment of remaining unemployment compensation benefits to an employee voluntarily resigning.

The chamber opposes H.R. 758 and the concepts on which it is based.

The bill is duplicative because States already have discretion regarding Short Time Compensation [STC] Programs and payment of remaining unemployment compensation benefits. The bill also precedes the October 1985 DOL worksharing study mandated after the Tax Equity and Fiscal Responsibility Act of 1982, which will include model STC guidelines.

No unemployment compensation benefits should be paid to any employee voluntarily resigning. Unemployment compensation benefits are intended only for the involuntarily unemployed.

A provision allowing voluntary resignation could devastate an employer who is struggling to maintain employment of his skilled labor and would run counter to another premise of unemployment compensation benefits acting as a stabilizing force affecting the labor market.

H.R. 759, the Unemployment Insurance and Adjustment Assistance Act of 1985, would establish a 3-year demonstration project in two States under which eligible unemployed individuals would receive retraining, education, and relocation assistance in lieu of certain unemployment compensation benefits.

The chamber opposes H.R. 759 and the concepts on which it is based.

H.R. 759 presupposes no additional costs, only adjustments within the existing UI system. We fail to see how increasing the duration of unemployment with additional adjustments benefits would not increase program costs.

In addition, H.R. 759 does not provide funding for the administrative costs of its program. We remind the subcommittee of how limited State resources already are, and the diversion of FUTA revenues for this program would both deprive the States of these funds and further the potential for abuse.

Massachusetts, Delaware, Minnesota, Illinois, and California have enacted various retraining programs, either permanent or temporary, directed predominately at private-sector, long-term unemployed individuals.

The California Program, administered by the Employment Training Panel, is by far the most ambitious, raising $55 million annually for job retraining. Participating employers must provide jobs for the retrained workers in order to receive funding.

Still other States, like Arizona, have further eased the definition of State-approved retraining programs to facilitate greater participation by UI claimants.

Ford and General Motors have, by collective bargaining agreements, set aside vast sums for retraining.

Finally, we have title III of the Job Training Partnership Act, which we continue to support.

Results from title III and JTPA in general are very favorable. Costs for training per employee are down and placement rates are up. We urge the Congress to continue oversight of JTPA and to make any adjustments necessary to further this promising beginning.

Critics argue that the unemployment compensation system is not providing benefits to a majority of those individuals still unemployed and, therefore, should be overhauled, replacing State-set benefit standards with Federal standards or instituting permanent benefit extensions.

In reality, those people are criticizing the unemployment compensation system for failure to perform a function—permanent and long-term benefits and coverage—for which the system is not intended.

Unemployment compensation benefits are social insurance for workers who are temporarily and involuntarily unemployed.

The chamber continues to support a strong unemployment compensation system for the temporarily and involuntarily unem-

ployed. The unemployment compensation system is designed to remove workers from the jobless rolls as quickly as possible and to provide incentives to return to work, not to lengthen the duration of the unemployment compensation benefits or unemployment.

We urge Congress to let unemployment compensation do its job and to rely on alternatives to long-term benefit programs, such as title III of JTPA, for dislocated workers.

The unemployment compensation system is not in need of an overhaul. Instead, Congress and the States should continue efforts toward solvency and should work toward fine-tuning the system.

Finally, immediate attention is necessary to develop remedies to prevent improper payments that have become a troublesome drain on unemployment compensation program resources.

Thank you, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF DONALD P. WHITELEY, MEMBER, COUNCIL OF UNEMPLOYMENT INSURANCE, CHAMBER OF COMMERCE OF THE UNITED STATES, AND PROFESSIONAL EMPLOYMENT REPRESENTATIVE, ICI AMERICAS, INC.

My name is Donald P. Whiteley, Professional Employment Representative for ICI Americas, Inc., a former Secretary of Labor for the state of Delaware, and a member of the U.S. Chamber's Council on Unemployment Compensation on whose behalf I appear today. Accompanying me is Samuel A. Roth, the Chamber's Associate Manager, Employer Relations and staff executive for the Council on Unemployment Compensation.

We commend this Subcommittee for its interest in reform of the unemployment compensation (UC) system and we appreciate the opportunity to appear on behalf of the Chamber to present our views. Our members, large and small, have a vital stake in the UC system, which not only is financed primarily by employers, but also serves to stabilize employment and susain purchasing power during economic downturns. We support a sound UC program. We believe that the present federal-state partnership generally has served the nation well.

We share the Subcommittee's concerns for the problems of the long-term unemployed, which are the subject of this hearing. However, we do not believe that it is good policy or practice to use the UC program to serve the needs of such individuals.

Moreover, we are concerned that in its oversight of the UC program, the Subcommittee has not addressed the immediate problem of enormous magnitude—improper payments that have reached enormous dimensions.

The true scope of the improper payments problem was documented in a study prepared for the National Commission on Unemployment Compensation by Professors Jerry Kingston and Paul Burgess of Arizona State University. Their research demonstrated that up to one-third of all UC payments are improper payments. The U.S. Department of Labor (DOL) responded by instituting the Random Audit (RA) program to corroborate the Kingston-Burgess findings on a nationwide basis. DOL subsequently has designed an impressive Quality Control (QC) program using state-of-the-art computer equipment. We applaud this effort. However, concerns have surfaced regarding continuing delays over the implementation of the QC program and the fact that not one hearing has been held by this committee relative to benefit payment accuracy in the UC program.

We strongly urge that this Subcommittee hold oversight hearings as soon as possible and that DOL implement demonstration projects in selected states without further delay so that any final adjustments can be made on a timely basis.

On a parallel track, the National Chamber Foundation (NFC) has commissioned a further UC overpayments (and underpayments) study working with Kingston and Burgess. The NCF is a public policy research organization affiliated with the U.S. Chamber. The study, due later in 1985, is aimed at increasing incentives for payment accuracy for all UC program participants, administrators, employers and claimants alike. The NCF study's Advisory Board includes state government officials involved in administering the UC program. We also request the Subcommittee's assistance in assuring the active cooperation of federal and state officials in completion of the NCF study.

FEDERAL-STATE UC SYSTEM

The UC system was designed as a program of income maintenance, provided through weekly cash benefits, for the temporarily and involuntarily unemployed worker. The system always has been a joint federal-state undertaking with clearly defined areas of responsibility.

Objectives of the system most generally recognized are threefold:

To alleviate hardships of workers from the loss of wage income during spells of temporary unemployment;

To encourage stabilization of employment; and

To exert a stabilizing, cushioning effect on the economy by releasing purchasing power during economic recessions.

Federal law virtually compels the maintenance of state UC programs under rules relating to financing and administration. Nevertheless, the states have retained the right to decide important matters, such as the amount and duration of benefits, conditions of benefit qualification, method of individual-employer experience rating and related matters.

Congress originally gave the states broad discretion to structure their individual state UC programs. As a result, the state programs reflect the unique economic and social conditions of each state, with each state creating programs sufficient for its perceived long-term and short-term UC needs, including cyclical variations.

The states have met their responsibilities well. For this reason the Chamber opposes any efforts to federalize completely or to remake these unique state programs through the use of federally-dictated standards (e.g., national triggers or benefit standards), even when such standards "favor" employers. The existing federal-state partnership reflects the highest traditions of our nation's commitment to a federal-state form of government.

FINANCING

The UC system is financed by two payroll taxes—one federal and one state. The Federal Unemployment Tax Act (FUTA) established a nationwide payroll tax on employers, against which credit is allowed either for state unemployment taxes paid or for reductions in such taxes earned through experience rating. Virtually all costs of benefits for jobless workers and administrative expenses are financed by these payroll taxes. (Only four states also collect minimal employee contributions.)

The Chamber supports the present form of UC system financing because the program costs are distributed equitably, providing employers incentive both to stabilize employment and to take an active interest in the program. The use of experience rating as the basis for unemployment compensation tax policy is yet another mechanism for states—and the employers in those states—to promote equity in financing and avoid socialization of costs.

We oppose diversion of UC funds for non-UC purposes and oppose automatic FUTA wage base increases.

STATE DEBTS

The U.S. Chamber opposes efforts to defer or forgive repayment of federal loans to the states.

Throughout the 1970's and the most recent recession, a number of states incurred large debts to meet benefit obligations. A variety of factors combined to create the current state debt situation, including prolonged, high unemployment; inclusion of previously uncovered workers in the UC system through federal legislation; increased maximum and average weekly benefits caused by increased wages and salaries; liberalized benefit amounts and formulas; and the extended duration of benefit increases pursuant to the Extended Benefits (EB), Federal Supplemental Benefits (FSB), and Federal Supplemental Compensation (FSC) programs.

Beginning in 1982, borrowing states were required to pay interest on federal advances. As a result, they have taken measures to repay their debts, usually in the form of a combination of tax increases on employers, tightened eligibility requirements and reduced benefits. Most experts think that only a few states will have difficulty making timely repayments. This recent austerity by states reinforces their sense of fiscal responsibility and incentive and ensures against the future incurrence of large debts while moving the states toward solvency. The states should voluntarily continue to take steps toward solvency.

Many borrowing states have qualified for deferral of interest due, interest rate discounts or outright delay in interest payment as a result of federal legislation, fur-

ther easing the burden of accumulated debts. Generally, the states must take action to restore solvency to take advantage of this relief.

The current DOL debt repayment forecast looks very encouraging, although we believe that it may be on the conservative side. According to DOL, of the states repaying loans through reduced FUTA credits, all but three are expected to complete repayment by 1989. Continued growth in the economy and future changes in state laws may accelerate these repayments.

BENEFITS

States currently establish and maintain benefit duration levels and schedules, as well as eligibility criteria, work search requirements, etc.

The Chamber supports the concept of employer responsibility for regular benefits for the first 26 weeks, as well as for the funding of the permanent EB program (50% state unemployment tax, 50% Federal Unemployment Tax).

We must reemphasize a basic premise of the UC system. UI is for the temporarily and involuntarily unemployed and should provide an incentive to return to work at the earliest possible time.

The Chamber supported the important reforms made to the EB program in 1981. The purpose of these reforms was not to cut the budget but rather to target the EB program and benefits to those wo actually need assistance. This targeting was achieved by eliminating the use of a 4.5% nationwide "insured unemployment rate" (IUR) trigger, raising the state triggers by 1%, not counting EB claims in calculating the IUR, and limiting eligibility for EB to individuals who had worked at least 20 weeks or the equivalent.

In addition, we continue to support the following concepts with regard to benefits, qualifications and duration to accomplish the dual goals of temporary assistance and incentives to return to work:

Benefits should provide a sufficient differential between the claimants' benefits and prior earnings;

States should periodically review (and revise if necessary) benefit schedules in light of changed conditions;

UC benefits should be paid to persons with a demonstrated attachment to the work force who are actively seeking employment and not to persons unemployed as a result of a labor dispute;

Prior to a claimant recovering extended benefits, there should be a noncompensable one-week waiting period;

Benefits extensions should not be allowed if the reason for termination of benefits was voluntary quit, misconduct, failure to seek or accept work, etc.;

EB should be fine tuned to help claimants find new jobs and to require states with stable unemployment rates to trigger off EB;

Claimants should be required to complete work search training programs as an eligibility requirement of EB;

Covered employers who are exempt from Federal Unemployment Tax should be required to pay the full cost of benefits attributable to service performed for them and make an appropriate contribution to the administrative costs; and

Special federal unemployment benefits should be paid only at the same weekly rate and for the same duration as regular benefits. If special benefits must be payable, they should be limited to persons who agree to enter retraining programs.

CHAMBER BOARD UNANIMOUSLY REAFFIRMS EXISTING UC POLICY

Before turning to the legislation for which comments were requested, we wish to inform the Subcommittee that on February 13, the Chamber's Board of Directors unanimously reaffirmed the Chamber's position on UC declarations. This action followed unanimous reaffirmations by the Chamber's Council on Unemployment Compensation and Committee on Employee Benefits on January 24 and 31, respectively.

This thorough review and reaffirmation will, of course, provide the basis for the Chamber's response to legislative initiatives in the 99th Congress as well as our comments here today.

The Chamber's Board also unanimously adopted a position opposing further taxation of social insurance benefits (unemployment and workers' compensation benefits), as contrary to the goal of adequate and equitable income support.

We commend to your attention the attachment to this testimony, an article discussing such taxation which appeared in the Chamber publication the Business Action Network: Washington Watch.

We will now address the specific legislation before us today.

REAUTHORIZATION OF FEDERAL SUPPLEMENTAL COMPENSATION [FSC] PROGRAM

Legislation has been introduced, H.R. 890 (Pease, D-Ohio and others) and H.R. 982 (Rahall, D-W.VA.), to extend FSC for eighteen months and two years, respectively.

The Chamber opposes supplemental federal extensions beyond EB, and the FSC program should be allowed to expire in March, 1985. Such extensions are costly and run counter to creating an incentive to return to work. Furthermore, the impetus for the creation and subsequent reauthorizations of FSC—chronically and extremely high unemployment rates—is no longer present.

Such extensions, if in effect, should continue to be wholly financed, including administrative costs, from federal general revenues because they are not unemployment insurance. However, we note that there has been no enforcement of the enabling legislation's provision for charging FSC administrative costs to federal general revenues. Failure to do so only diverts needed funds—to provide job search assistance and combat rampant fraud and abuse—from state UC programs. Congress should require that all FSC costs—past and future—be charged to general revenues.

Of course, when claimants draw additional weeks of benefits, costs of the program increase accordingly. Even when the extension itself is financed by general revenues rather than employer taxes, there is an effect on the employer-funded part of the program. For example, if, because of an extension, a claimant draws 19 weeks instead of 16, the 3 extra weeks are charged to employers—adding to the burden on the Unemployment Trust Fund, which already is in financial distress. Moreover, as already mentioned, employer taxes are used to finance the cost of administering all weeks of benefits, including those that are general revenue funded.

The Congress should also consider the cost of further extensions of FSC. The Congressional Budget Office (CBO) has estimated that an eighteen-month extension of FSC will cost the federal government nearly $3.0 billion, including nearly $1.9 billion in FY '86. This extension would occur during a period where the unemployment rate is projected to decline to 6.9 percent by July, 1986, according to the CBO.

At a time when reducing the federal deficit—and federal spending—is the order of the day, reauthorizing FSC would send the states the wrong signal relative to fiscal responsibility.

Clearly, other factors have had as much to do with the design of FSC as unemployment. To mention just a few egregious examples, 8 weeks of FSC are paid in eight states whose IUR is below 2 percent and in 16 more whose IUR is below 3 percent. Indeed, only 11 states have an IUR over 4 percent (as of January 26, 1985).

Moreover, the remaining debt from the FSB program should also be charged to general revenues rather than FUTA receipts. When FSB was established, initially its costs were charged to the FUTA-funded account used for EB. That account had insufficient revenues for its original purpose, and loans were extended from general revenues to cover FSB. In addition, a temporary .2% FUTA surcharge was imposed on all employers—regardless of their experience with layoffs—to repay the debt.

Congress recognized that benefits to the long-term unemployed should not be an employer obligation when it reauthorized FSB in 1977 and when it established FSC. By charging the FSB debt to general revenues, the temporary .2% surtax would expire. Easing the payroll tax burden on business in this fashion would give added incentive for employers to boost employment that would mitigate the need for continuing benefit extensions.

EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 1985

H.R. 1072, the Extended Unemployment Compensation Act of 1985 (Stark, D-Calif.; Pease, D-Ohio; and others) would overhaul the federal programs of extended and supplemental unemployment compensation. This would be accomplished by doing away with the distinction between EB and FSC, and mandating one permanent extension of up to 35 weeks for claimants who exhaust state benefits.

The Chamber opposes H.R. 1072 and the concepts on which it is based.

The bill uses a sliding scale linked to the unemployment rate to determine the number of extra weeks and the mix of funding (state unemployment tax, federal unemployment tax, federal general revenues). The trigger rate would be linked to the total unemployment rate (TUR), a statistically unreliable measure that also includes numerous individuals not counted in the insured rate. The bill also would raise the cost of EB and shift a substantial part of the cost of FSC from federal general revenues to state and federal unemployment tax revenues, reversing the current FSC provisions requiring complete funding by federal general revenues.

The impact on the Unemployment Trust Fund would be profound. A substantial tax drain would befall states now struggling to repay a cumulative debt of more than $9 billion. These added costs would jeopardize state eligiblity for interest and

loan relief by forcing liberalization of state laws to conform with the legislation, despite the enormous political sacrifices states have made to restore solvency.

Merging EB and FSC is unwise and costly to the states, to employers, to the federal government and, ultimately, to consumers. EB, due to the 1981 changes and a 1982 federal unemployment tax increase, is finely targeted and became solvent for the first time in 1983. FSC remains loosely-targeted with little effort made to link FSC with job search assistance, the method proven most cost-effective in removing workers from the jobless roles.

H.R. 1072 would discourage the progress being made in helping the unemployed gain jobs. Economic studies have repeatedly demonstrated that extending the potential or permanent duration of benefits induces an claimant to draw benefits longer. Indeed, serious efforts to find employment may be delayed until benefits are nearly exhausted. In many cases, UC benefits, combined with other sources of public aid, exceed the claimant's take-home pay while employed. Understanding why some individuals might take their time looking for jobs is not difficult.

In addition, H.R. 1072 would affect adversely the many aspects of UC beyond short-term cash assistance. UC is an important component of our national employment and training and related human resources services, providing job market service designed to aid in the pursuit of reemployment. The heavy claims load and the longer availability of benefits under these proposals inhibit the state administering agencies from providing these supplementary services.

Finally, and perhaps most ironically, the increased payroll taxes needed to fund the new system would increase the difficulty for business to maintain and expand employment.

UC DESIGN TO SERVE "DISLOCATED" WORKERS

In addition to proposals for extending maximum benefit duration, the Subcommittee is reviewing proposals to aid the long-term unemployed by partial or complete redesign of the UC program. Many of these proposals involve worksharing, payment of UC benefits in a lump sum, and linkage of UC trust funds and benefits with retraining, education or relocation assistance. These proposals are addressed in detail below.

While we share the Subcommittee's concern for the long-term unemployed, we reiterate that the UC program is not suitable for addressing their needs. We believe that proposals to do so not only would be unsuccessful, but could hamper the system's ability to meet its existing obligations.

Moreover, the states already have the authority to design innovative benefit plans if they so choose. For example, several states now pay benefits for partial unemployment to paticipate in worksharing plans. We believe that such authority should continue to remain with the states.

We believe that a more appropriate response to the needs of the long-term unemployment is provided by the employment and training program for dislocated workers created by the Job Training Partnership Act of 1982. We also believe that UC benefits are insurance against short-term unemployment and are not intended for the long-term unemployed.

Finally, we want to call to the Subcommittee's attention numerous examples of state and federal programs already in place whose major objectives are directed at the longer-term unemployed. These are briefly outlined after our comments on H.R. 646 (Conte, R-Mass.), and H.R. 758 and 759, (Stark, D-Calif.).

THE UNEMPLOYMENT COMPENSATION REFORM ACT OF 1985

H.R. 646, the Unemployment Compensation Reform Act of 1985 (Conte, R-Mass.) would reinstitute the lower extended benefit (EB) program national trigger rates, permanently extend the FSC program, and institute sub-state or sub-area triggers and benefits, along with other provisions.

The Chamber opposes H.R. 646 and the concepts on which it is based.

As previously mentioned, we oppose any reversal of the 1981 EB reforms, have already suggested further measures which would further refine the EB program, have urged that FSC be allowed to expire on March 31, and have stated that any use of the TUR is inappropriate.

Sub-state or sub-area trigger rates are infeasible and costly to administer. DOL reported to the Congress on this topic in May, 1984, and concluded:

"While the specifications of particular proposals may vary, it is not currently feasible to implement a substate program which follows the generally accepted principles upon which current UI programs are based and meets reasonable standards of accuracy and timeliness. To develop such a program would require a significant in-

crease in resources, an extensive amount of time (probably at least two years), and resolution of difficult policy and technical issues. In addition, the costs of implementation are likely to be substantial." (Executive Summary, p. ii)

H.R. 646 presumes an effective date within six months of enactment.

H.R. 646 also waives penalties for individual's withdrawal of Individual Retirement Account (IRA) funds if all UC benefits have been exhausted or otherwise terminated. The potential for abuse of such an arrangement is great, especially in the case of a family with two wage earners. The effect, we believe, would be to encourage one individual to draw benefits longer to reach the point where withdrawal of IRA funds is without penalty. In this situation, little incentive exists to return to work.

THE ACT OF 1985

H.R. 758, the Act of 1985 (Stark, D-Calif.), is aimed at "improving unemployment compensation programs carried out by states" in a variety of ways, chiefly by encouraging states to implement worksharing UC benefits arrangements by payments of remaining UC benefits to an employee voluntarily resigning.

The Chamber opposes H.R. 758 and the concepts on which it is based.

The bill is duplicative because states already have discretion regarding Short Time Compensation (STC) programs and payment of remaining UC benefits. The bill also precedes the October, 1985 DOL worksharing study mandated under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), which will include model STC guidelines.

No UC benefits should be paid to any employee voluntarily resigning. UC benefits are intended only for the involuntarily unemployed. A provision allowing voluntary resignation could devastate an employer who is struggling to maintain employment of his skilled labor would run counter to another premise of UC benefits acting as a stabilizing force affecting the labor market.

We agree that as unemployment duration increases, job expectations should decrease. However, we oppose the "cashing out" of remaining UC benefits if a claimant accepts a lower wage job. That approach would reduce the incentive to remain employed. A far better approach, already in use in several states, is a gradual redefinition of "suitable" work linked to the duration of unemployment. We note that Congress has endorsed this mechanism by requiring disqualification of EB and FSC claimants who refuse to accept jobs paying at least the amount of their benefits or minimum wage, whichever is higher.

H.R. 758, in our view, would cost employers and the federal government more. Enactment of its provisions would only discourage state fiscal responsibility, especially because nothing in the bill would affect state solvency determinations.

THE UNEMPLOYMENT INSURANCE AND ADJUSTMENT ASSISTANCE ACT OF 1985

H.R. 759, the Unemployment Insurance and Adjustment Assistance Act of 1985 (Stark, D-Calif.) would establish a three-year demonstration project in two states under which eligible unemployed individuals would receive retraining, education and relocation assistance in lieu of certain UC benefits.

The Chamber opposes H.R. 759 and the concepts on which it is based.

H.R. 759 presupposes no additional costs, only adjustments within the existing UI system. We fail to see how increasing the duration of unemployment with additional adjustments benefits would not increase program costs.

The eligibility criteria for adjustment assistance are not an accurate test because most UC claimants do not need additional assistance. These criteria remind us of one of the largest failures of limited-constituency-type UC programs—Trade Adjustment Assistance—and should be discouraged. It would be ill-advised to extend additional assistance under eligibility criteria already proven difficult to enforce.

In addition, H.R. 759 does not provide funding for the administrative costs of its program. We remind the Subcommittee of how limited state resources already are, and the diversion of FUTA revenues for this program would both deprive the states of these funds and further the potential for abuse. H.R. 759 would not recoup allowances already spent if the claimant had committed fraud and would make further recoupment of unspent funds virtually impossible by allowing determinations and appeals of fraud cases to proceed under state UC laws.

We reiterate that H.R. 759 would be duplicative of state and federal programs specifically designed for the long-term unemployed.

STATE AND FEDERAL INITIATIVES FOR THE LONG-TERM UNEMPLOYED

Massachusetts, Delaware, Minnesota, Illinois and California have enacted various retraining programs, either permanent or temporary, directed predominately at private sector, long-term unemployed individuals.

The California program, administered by The Employment Training Panel, is by far the most ambitious, raising $55 million annually for job retraining. Participating employers must provide jobs for the retrained workers in order to receive funding. New York Governor Cuomo has proposed a similar program.

Still other states, like Arizona, have further eased the definition of state-approved retraining programs to facilitate greater participation by UI claimants.

Ford and General Motors have, by collective bargaining agreements, set aside vast sums for retraining.

Finally, we have Title III of the Job Training Partnership Act (JTPA), which we continue to support. Under Title III, the federal government provides funds for training and retraining, job search assistance, placement, relocation assistance, and other aid. States must apply for grants, identifying the need, activities, and projected results. States determine who is "dislocated," including those affected by import competition, mass layoffs, plant closings, and federal government actions.

States are required to match a portion of the federal grant, but the percentage is reduced for states experiencing high unemployment. Participants in Title III programs may not be disqualified from receipt of UC because of failure to be available for or to seek work.

Results from Title III and JTPA in general are very favorable: costs for training per employee are down and placement rates are up. We urge the Congress to continue oversight of JTPA and to make any adjustments necessary to further this promising beginning.

PERFORMANCE OF THE UC SYSTEM

Critics argue that the UC System is not providing benefits to a majority of those individuals still unemployed and, therefore should be overhauled, replacing state-set benefit standards with federal standards or instituting permanent benefit extensions.

In reality, those people are criticizing the UC system for failure to perform a function—permanent and long-term benefits and coverage—for which the system is not intended. UC benefits are social insurance for workers who are temporarily and involuntarily unemployed.

Those who have exhausted regular and extended benefits should be transferred to other public assistance programs based on individual need. Continued improvements in the employment picture as the economic recovery continues further lessen the need for a long-term benefit program.

The value of experience rating in improving the UC System cannot be overstated and we urge federal and state governments to prevent its further erosion.

Better controls on payment accuracy and improved experience rating would reduce the claims load and make a more generous UC system affordable.

The Congress should recognize the unprecedented job and business creation over the past few years, that more women than ever before have entered the workplace, and that economists generally agree that the natural rate of unemployment is actually six percent, all combining to cast doubts over the gloom and doom unemployment forecasts and calls for reform.

Finally, Congress should avoid adoption of economic policies that discourage employment. Economists generally agree that payroll tax increases ultimately discourage employment.

CONCLUSION

The Chamber continues to support a strong UC system for the temporarily and involuntarily unemployed. The UC system is designed to remove workers from the jobless rolls as quickly as possible and to provide incentives to return to work, not to lengthen the duration of UC benefits or unemployment. We urge Congress to let UC do its job and to rely on alternatives to long-term benefit programs, such as Title III of JTPA, for dislocated workers.

The UC system is not in need of an overhaul. Instead, Congress and the states should continue efforts toward solvency and should work toward fine tuning the system. Finally, immediate attention is necessary to develop remedies to prevent improper payments that have become a troublesome drain on UC program resources.

ATTACHMENT

Special Report

Taxing Social Insurance Would Create New Inequities

by Eric Oxfeld

Nearly overlooked among proposed income tax "reforms" that would affect business is a proposal to tax workers' compensation (WC) income benefits (currently nontaxable) and unemployment compensation (UC) (currently taxable only where income is over $12,000 single or $18,000 married).

Although the tax would be paid by employees, the result would be dramatic increases in the price of the employer-financed programs and further erosion of employer tort immunity for work-related injuries.

Workers' compensation and unemployment compensation already have become important business expenses. Each program costs employers $25 billion - $30 billion annually, and cost escalation has been rapid in recent years. No longer regarded as a "nuisance tax," payroll-related WC insurance and UC taxes must be paid even when a firm loses money. Further increases in these costs not only would mean the difference between profit and loss for many businesses,but also would decrease employment by making it more expensive to hire. These and other effects of taxing social insurance need to be considered in evaluating "reform" proposals.

Rep. Jack Kemp

Treasury Proposal

The plan that has received the greatest publicity is the Treasury Department proposal, which would tax all UC and WC cash benefits (excluding rehabilitation and burial allowances and medical care); a small tax credit for the disabled would mitigate the effect on lower-income recipients of WC.

Other tax reform proposals under consideration also would tax social insurance. For example, the Bradley-Gephardt and Kemp-Kasten bills would tax all UC, and Kemp-Kasten would tax some disability payments. All of these proposals are designed to simplify the tax law and lower individual and/or corporate income tax rates in return for eliminating or reducing tax deductions and exclusions.

Treasury estimates that taxing UC and WC would produce additional revenues of up to $1.5 billion from UC and over $2 billion from WC (annually), at the new individual income tax brackets (15 percent-25 percent-35 percent). States would also receive additional state income tax revenues, because most states use the federal income tax return as the basis for calculating state income taxes.

In support of its proposal, Treasury argues that:
(1)it is unfair for a taxpayer receiving social insurance to pay less tax than another with the same cash income derived from wages;
(2)taxing benefits will improve incentives for claimants to take jobs; and
(3)the present system is a tax subsidy to employers who have high lay-off and/or work injury rates. These arguments, however, are subject to debate, and they do not take other factors into account.

Fairness

Treasury says that currently, tax-free social insurance benefits are unfair because (a) net wage replacement rates vary according to family income, as a result of benefit computations replacing a fixed percentage of gross pay, and (b) a taxpayer with income from wages pays tax at a higher rate than one with the identical income from social insurance.

Taxing social insurance would create new inequities and would not eliminate existing ones. And state legislatures, which have the responsibility for benefit levels, are in the best position to determine what is equitable for workers in their jurisdictions.

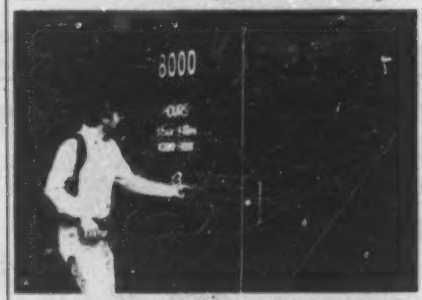
Furthermore, taxing benefits would be unlikely to have more than a nominal effect on work-search behavior (even less so if there is no withholding from benefit checks).

Fairness is a subjective value judgment, and notions of fairness to the individual, various groups, and society as a whole differ and must be balanced. For example, an individual who is forced to stop working and is receiving only a percentage of his prior wages has a perfectly legitimate perspective on the equity of further reducing income support by taxing social insurance benefits.

This aspect of the fairness argument is particularly relevant for workers' compensation, because by law the injured individual has no right to recover damages from his employer relating to the injury and is paid only a portion of his economic loss. It is especially unfair to tax limited workers' compensation benefits when another individual with the same injury in a non-work setting can keep the entire tort recovery, which Treasury does not propose to tax. Taxing WC benefits would accelerate attacks by the plaintiffs' bar and others on employer tort immunity under WC laws.

Variation in net wage replacement because of individual differences in taxable income is a concern in evaluating overall benefit equity as well as benefit equity from state to state, but is taken into account when states fix benefit amounts and eligibility criteria. There are considerable differences from state to state, reflecting the diversity of economic conditions and other local circumstances.

Several states already have adjusted WC benefit computations to strengthen work incentives by providing compensation as a percentage of after-tax earnings — following a unanimous recommendation of the National Commission on State Workmen's Compensation Laws. Of course, taxing



Taxing benefits would be unlikely to have more than a nominal effect on work-search behavior.

benefits in such states would be inequitable.

To the degree that benefits replacing a fixed percentage of gross pay produce varying percentages of net pay, the inequity is caused not by faulty WC laws but by the substantial income tax increases and progressive tax rates since the establishment of social insurance programs. Reducing personal income tax rates would also minimize the problem of varying net wage replacement rates, without taxing the benefits.

Furthermore, under the Treasury proposal, there would still be variation in net wage replacement rates as well as inequities in tax treatment. Variation would continue because certain deductions, especially for mortgage interest, would be preserved. In addition, for higher paid workers, gross and net wage replacement rates already are low because of benefit ceilings. Taxing *their* benefits would reduce substantially the wage replacement rate and interfere with the income support objective.

Work Incentives

Treasury argues that taxing social insurance will increase work incentives for beneficiaries, because taxed benefits would replace a smaller proportion of after-tax wages. This argument is at odds with the philosophy of the UC and WC systems that the states, not the federal government, should determine the level of income support that properly preserves work incentives.

In addition, it is difficult to accept that taxing UC and WC benefits would have a significant effect on work-search behavior. If there is no withholding from benefit checks, most claimants will receive slightly smaller income tax refunds (taxes are overwithheld from wages because the reduced level of income drops the taxpayer into a lower bracket). If taxes were withheld from benefit checks, the income support function of social insurance would be disrupted (not to mention the substantial administrative burden for the payor, another cost to the system).

Cost increases of social insurance programs in response to taxation of benefits would be burdensome for all employees.

Treasury is correct in noting that some beneficiaries of social insurance have substantial work disincentives. Social insurance payments, computed on a percentage of gross pay, *can* approach or exceed net pay for a beneficiary, for example one whose spouse's earnings are subject to the top income tax bracket. Such an individual may have little economic pressure to work, not because benefits are attractive but because family income already is high. Such problems are inherent in social insurance systems since, by definition, no means test is applied.

Rather than taxing social insurance, it would be more effective to design programs that limit eligibility to workers with a proven attachment to the labor force (for UC), use net pay as the basis for computing compensation (where practicable), provide motivation for the responsible employer to monitor claims accuracy (through experience rating), and devote adequate resources to administer meaningful work-search requirements.

Ironically, taxing social insurance ultimately could lead to greater work disincentives than now are present, by inflating the amount of benefits. It is inherent that wage replacement programs, which protect against involuntary work interruption, should be linked to *wages*, i.e., payments for working.

Some labor union spokesmen, however, advocate defining wages to include all types of compensation, as a way of inflating benefit awards (and satisfying minimum eligibility requirements for UC). Such a result could increase payments to beneficiaries by as much as a third. Of course, payroll taxes and insurance premiums would also be assessed against such payments. In fact, without any hearings or other opportunity for discussion, Congress already has taken a step in this direction by defining sick pay as wages subject to unemployment taxes, beginning January 1, 1985, creating numerous administrative and other problems.

Tax Subsidy

Treasury properly recognizes that the response to taxation of social insurance will be legislation raising benefit levels (labor unions say *present* benefit levels are insufficient). It says that businesses with high social insurance costs are receiving an unfair tax subsidy because the deductibility of such costs distorts true market prices for goods and services and disguises the full cost from government policymakers who determine program scope and size.

This argument underestimates the serious effect of benefit expansions, both direct and indirect. Taxing benefits may merely provide revenues used to justify new and/or higher benefits. For example, Congress adopted the current income threshhold for taxing UC as an overt means of paying for a new extension of UC benefits, Federal Supplemental Compensation (FSC). FSC, one of the most blatant examples of congressional largesse based on purely political considerations, subsequently has been continued and expanded.

Inevitably, taxing social insurance leads to demands for using tax receipts to finance a portion of such programs. Taxes recently imposed on Social Security have been targeted into the Social Security trust fund, and some state officials who administer UC programs also advocate parallel targeting of receipts from the tax on UC. Taxing WC would provide a tempting pool of funds for a new federal injury compensation program.

Furthermore, cost increases of social insurance programs in response to taxation of benefits would be burdensome for all employers, not only those who have the highest costs. Imperfections in experience rating, as well as costs that are socialized deliberately, mean that costs would be raised for all businesses. One consequence would be further erosion of the competitiveness of American goods and services. Another would be the burden on small businesses. Tax deductions for payroll expenses can be claimed only when there are profits; increases in payroll expenses will depress unemployment and put many small employers out of business.

How much benefits would be increased is unknowable. However, cost increases of 50 percent to 100 percent may be conservative estimates, if programs adopt 100 percent income replacement as their standard.

Tax reform proposals that propose to tax social insurance benefits need to be evaluated carefully for their subtle effects on employment, American competitiveness, and the business climate generally. If the result of income tax reform is higher payroll taxes, in the final analysis employers will be the victim of yet another government shell game.

For futher information, contact Eric Oxfeld of the U.S. Chamber at 1615 H Street, N.W., Washington, D.C. or call 202/463-5514. □

Chairman FORD. Mr. Kay, there is another recorded vote on. While I was on the floor a few minutes ago, I learned that we might have a series of votes, and I don't know how much time you will need, whether we should recess and come back, and if so, once we get to the floor, I don't know how long we will be.

We might have to recess until after lunch today to come back this afternoon.

Mr. KAY. I could probably be done in about 5 minutes.

STATEMENT OF EDWARD H. KAY, JR., CHAIRMAN, UNEMPLOYMENT COMPENSATION SUBCOMMITTEE, EMPLOYEE BENEFITS AND RELATIONS COMMITTEE, COUNCIL OF STATE CHAMBERS OF COMMERCE, ACCOMPANIED BY WILLIAM R. BROWN, PRESIDENT

Mr. KAY. The unemployment insurance system is based on the following three broad objectives:

One, to alleviate hardships of workers from the loss of wages during spells of temporary unemployment.

Two, to encourage the stabilization of employment; and, three, to exert a stabilizing and cushioning effect on the economy by releasing purchasing power during recessions.

We strongly believe that 26 weeks of benefits is a proper length of time during nonrecessionary periods. This meets the needs of the vast majority of the unemployed in that it alleviates hardships during temporary periods of unemployment.

These benefits are financed by employers who, when the economy is strong and jobs are more plentiful, should only be responsible for financing 26 weeks of benefits. Periods of unemployment extending beyond 26 weeks should not be considered temporary.

Therefore, any assistance required by specific individuals should not be an obligation of the unemployment insurance system. In other words, individuals exhausting their benefits who truly have difficulties finding employment have problems which should be addressed through other means.

To continue benefits for all exhaustees during such periods in order to provide some temporary relief for certain individuals is not an efficient utilization of our resources.

Certainly, if, as many believe, the Federal deficit is the No. 1 problem facing the Congress, now is not the time to be considering any program extensions or expansions that are not absolutely needed.

EXTENDED BENEFITS

We also believe that during recessions or during downturns in the economy that are greater than normal fluctuations, additional benefits are warranted. Historically, Congress enacted extensions of benefits during these periods.

This was effective in that it could meet the current needs of the unemployed, but it had disadvantages since it usually required hasty action which sometimes required subsequent corrections.

In order to resolve this problem, Congress enacted the Extended Benefits Program, which is designed to trigger in at realistic insured unemployment rates.

Originally, the levels were 4 percent and 5 percent; however, in 1981, Congress realized these levels were too low and made the necessary correction. It should be noted that this same legislation also eliminated a national trigger.

We believe that the Extended Benefits Program, acting in tandem with the basic system, establishes a strong program that provides excellent protection to the vast majority of unemployed during both good and bad times.

FEDERAL SUPPLEMENTAL COMPENSATION

Currently, our basic program is increased by 8 to 14 weeks under the Federal Supplemental Program. This program is not needed today and should be allowed to expire as of March 31, 1985.

There are two major reasons for this position:

First is that our economy is much too strong to justify any type of additional federally mandated benefits beyond 26 weeks.

The second reason is that the Federal deficit situation makes it obligatory for Congress to cut expenditures wherever possible. Certainly benefits beyond 26 weeks in the current economic climate must have a very low priority when compared to the many hard decisions that must be made on cutting or eliminating other programs.

H.R. 890 would extend the current FSC Program for an additional 18 months. This bill should not be approved for the reasons explained above.

EXTENDED UNEMPLOYMENT ACT OF 1985, H.R. 1072

We are opposed to this legislation because it would result in an unwarranted liberalization of our benefit system and place an additional burden on the States at a time when they are attempting to recover from the previous devastating recessions.

H.R. 1072 attempts to roll back the clock to pre-1981 by including a 4-percent IUR trigger. This is an inappropriate change.

H.R. 1072 also would establish a trigger based on a State's total unemployment rate if the Federal TUR triggered on a national high unemployment period. We see no justification in using the TUR to increase benefit entitlements to the insured unemployed.

We also are opposed to this bill because it shifts a greater burden of the costs to the employer.

Employers should be responsible for the first 26 weeks of benefits, and during recessions for an additional 13 weeks. Any benefits beyond these limits should be considered the responsibility of society as a whole and not just employers.

However, H.R. 1072 would make the employer responsible for a portion of all benefits up to 56 weeks. This is an unwarranted shifting of the financial burden that increases the cost for employers to provide additional jobs.

UNEMPLOYMENT COMPENSATION REFORM ACT OF 1985, H.R. 646

We are also opposed to this legislation because it would drastically liberalize the trigger mechanism for the EB Program.

Not only would it reduce the trigger to 5.5 percent and 4.5 percent from 6 percent and 5 percent, but it would compute the percent by averaging the TUR with the IUR.

The TUR will always be larger than the IUR and in many States, can run three times as much. Therefore, an average which includes the TUR will be drastically increased over just the IUR and is a completely unwarranted change.

We believe Congress can design better programs to meet total needs of depressed areas than attempting to use the unemployment system which would apply to a very limited population. For example, enterprise zones should be a more effective method to funnel resources into very specific problem areas. In addition, the JTPA.

H.R. 758

This bill would encourage States to modify their existing unemployment compensation programs so that unemployment benefits could be used to entice claimants to either enter training programs or accept low-wage employment.

Chairman FORD. Mr. Kay, we are going to have to close up. I will be happy to come back to finish your testimony, if you would like for me to do that.

Mr. BROWN. We pretty well covered the points we have to make.

Chairman FORD. Your full statement will be made a part of the record.

[The prepared statement follows:]

STATEMENT OF EDWARD H. KAY, JR., CHAIRMAN, UNEMPLOYMENT COMPENSATION SUBCOMMITTEE, EMPLOYEE BENEFITS AND RELATIONS COMMITTEE, COUNCIL OF STATE CHAMBERS OF COMMERCE

SUMMARY

1. *Historical background.*—The Unemployment Insurance system is a program based on three broad objectives.

2. *The basic State program.*—Consists of 26 weeks which is a proper length of time to pay benefits during non recessionary periods.

3. *Extended benefits.*—Pays an additional 13 weeks based on appropriate triggers which are based on the Insured Unemployment Rate. This program, in conjunction with the basic state program, provides excellent protection.

4. *Federal supplemental compensation.*—Should be allowed to expire on March 31, 1985 because these additional benefits are not warranted during these strong economic times.

5. *Extended Unemployment Compensation Act of 1985.*—This change is not needed or warranted because it would unnecessarily increase costs, and shift costs to the employer. Recommendation—Do not enact.

6. *Unemployment Compensation Reform Act of 1985.*—This is an attempt to vastly liberalize the Extended Benefit Program by lowering the triggers and averaging in the T.U.R. in determining the trigger rates. Recommendation—Do not enact.

7. *H.R. 758.*—Though training is a desirable objective this proposal would not have any significant impact. Recommendation—Do not enact.

8. *Unemployment Insurance and Adjustment Assistance Act of 1985.*—The use of state unemployment tax dollars to pay employers and educators is an improper use of these funds. Recommendation—Do not enact.

9. *The bottom line.*—Until Congress comes to grips with the deficit it should not be considering proposals such as those being heard by this subcommittee today-these proposals are extremely difficult to justify under current conditions!

STATEMENT

My name is Edward H. Kay, Jr. I appear today as Chairman of the Unemployment Compensation Subcommittee of the Employee Benefits & Relations Committee

of the Council of State Chambers of Commerce. I am a consultant specializing in Unemployment Compensation and Workers' Compensation matters. Accompanying me is William R. Brown, President of the Council of State Chambers of Commerce.

Historical background

The Unemployment Insurance system is based on the following broad objectives:

1. To alleviate hardships of workers from the loss of wages during spells of temporary unemployment,
2. To encourage the stabilization of employment, and
3. To exert a stabilizing and cushioning effect on the economy by releasing purchasing power during recessions.

The basic State program of 26 weeks

We strongly believe that 26 weeks of benefits is a proper length of time during non-recessionary periods. This meets the needs of the vast majority of the unemployed in that it alleviates hardships during temporary periods of unemployment. These benefits are financed by employers who, when the economy is strong and jobs are more plentiful, should only be responsible for financing 26 weeks of benefits. Periods of unemployment extending beyond 26 weeks should not be considered temporary: therefore, any assistance required by specific individuals should not be an obligation of the Unemployment Insurance system. In other words, individuals exhausting their benefits who truly have difficulties finding employment, have problems which should be addressed through other means. To continue benefits for all exhaustees during such periods in order to provide some temporary relief for certain individuals is not an efficient utilization of our resources. Certainly, if as many believe, the Federal deficit is the number one problem facing the Congress now is not the time to be considering any program extensions or expansions that are not absolutely needed!

Extended benefits

We also believe that during recessions or during downturns in the economy that are greater than normal fluctuations additional benefits are warranted. Historically, Congress enacted extensions of benefits during these periods. This was effective in that it could meet the current needs of the unemployed, but it had disadvantages since it usually required hasty action which sometimes required subsequent corrections.

In order to resolve this problem, Congress enacted the Extended Benefit (EB) program which is designed to "trigger in" at realistic Insured Unemployment Rates (I.U.R.). Under the EB program benefits begin when the State I.U.R. reaches 5% and is 120% greater than the preceding two years or when the I.U.R. reaches 6% and the State has waived the 120% test. Originally the levels were 4% and 5%; however, in 1981 Congress realized these levels were *too low* and made the necessary correction. It should be noted that this same legislation also *eliminated* a national trigger. This program provides the unemployed with an additional level of protection if we have a downturn and jobs become scarce.

We believe that the Extended Benefit program acting in tandem with the basic system establishes a strong program that provides excellent protection to the vast majority of unemployed during both good and bad times.

Federal supplement compensation

Currently our basic program is increased by eight to fourteen weeks under the Federal Supplemental program (F.S.C.). This program is not needed today and should be allowed to expire as of March 31, 1985 as provided by current law. There are two major reasons for this position:

First is that our economy is much too strong to justify any type of additional Federally mandated benefits beyond 26 weeks.

The second reason is that the Federal deficit situation makes it obligatory for Congress to cut expenditures wherever possible. Certainly benefits beyond 26 weeks in the current economic climate must have a very low priority when compared to the many hard decisions that must be made on cutting or eliminating other programs.

H.R. 890 would extend the current F.S.C. program for an additional 18 months. This bill should not be approved for the reasons explained above.

Extended Unemployment Act of 1985 (H.R. 1072)

We are opposed to this legislation because it would result in an unwarranted liberalization of our benefit system and place an additional burden on the States at a time when they are attempting to recover from the previous devastating recessions.

H.R. 1072 attempts to roll back the clock to pre 1981 by including a 4% IUR trigger. This is an inappropriate change.

H.R. 1072 also would establish a trigger based on a State's Total Unemployment Rate (T.U.R.) if the Federal T.U.R. triggered on a "National High Unemployment Period". We see no justification in using the T.U.R. to increase benefit entitlements to the insured unemployed. Furthermore, Congress has examined such approaches in the past and wisely rejected them.

The T.U.R. includes those individuals who are in fact receiving benefits and are very accurately measured by I.U.R. However, the T.U.R. also includes a large percentage of persons who have never been employed or whose last employment was many years ago. Therefore, it is inappropriate to use this measure as a trigger for additional benefits for the insured unemployed.

H.R. 1072 would establish a permanent system with three of its tiers allowing claimants to qualify for more benefits than under combined State and Extended Benefit programs (46, 51 and 56 weeks). We believe that our current programs which allow up to 39 weeks of benefits based on the I.U.R. should be left as is. These two programs provide excellent protection to the unemployed even during a downturn in the economy. They also provide adequate lead time if economic conditions ever warrant further extensions for Congress to address these issues at that time. Only then can Congress enact legislation that will properly and fully address the problem without creating a number on unknown and costly side effects.

We also are opposed to this bill because it shifts a greater burden of the costs to the employer. Currently employers are responsible for all costs under the State program and the E.B. program. F.S.C. is financed as it should be from general revenues. (It should be noted that F.S.C. was originally designed to pick up after E.B.).

Employers should be responsible for the first 26 weeks of benefits and during recessions for an additional 13 weeks. Any benefits beyond these limits should be considered the responsibility of society as a whole and not just employers. However, H.R. 1072 would make the employer responsible for a portion of all benefits (up to 56 weeks) and H.R. 1072 probably would result in increased employer costs under the current programs. This is an unwarrented shifting of the financial burden that increases the cost for employers to provide additional jobs.

Unemployment Compensation Reform Act of 1985 (H.R. 646)

We are opposed to this legislation because it would drastically liberalize the trigger mechanism for the E.B. program. Not only would it reduce the trigger to 5.5% and 4.5% from 6% and 5% but it would compute the percent by averaging the T.U.R. with the I.U.R. The T.U.R. will always be larger than the I.U.R. and in many States can run three times as much. Therefore, an average which includes the T.U.R. will be drastically increased over just the I.U.R. and is a completely unwarranted change.

Furthermore, as was indicated above the use of T.U.R. to increase benefits for the insured unemployed is not appropriate.

H.R. 642 also creates area triggers based on county boundaries. An individual would qualify for additional benefits if his last employment in his base period was in a county that had triggered on.

This kind of trigger creates inequities between claimants who have identical situations—in fact may even live in the same apartment building, but are treated differently because of the location of their last employment.

Congress can design better programs to meet total needs of depressed areas than attempting to use the unemployment system which would apply to a very limited population. For example, Enterprise Zones should be a more effective method to funnel resources into very specific problem areas.

H.R. 758

This Bill would encourage States to modify their existing Unemployment Compensation programs so that unemployment benefits could be used to "entice" claimants to either enter training programs or accept low wage employment. It would also set up an incentive for employed individuals in certain situations to quit their jbos to enter training.

We support effective training programs for the unemployed. We also support paying their weekly benefit amount while they are attending such programs. Under

current law most States, if not all, have approved training programs. We see no reason to "Muddy the waters" by approving H.R. 758.

Most of the provisions in H.R. 758 can be accomplished under existing Federal law, if a State wants to do so. Therefore, we see little or no benefit from H.R. 758 particularly when it contains an annual $200,000,000 potential Federal price tag. It does not seem to be appropriate to create a new Federal "carrot" to encourage States to adopt concepts that they have shunned in the past when existing "carrots" are becoming very scarce in Washington.

Unemployment Insurance and Adjustment Assistance Act of 1985 (H.R. 759)

This two state demonstration program would utilize state unemployment taxes to pay employers and educators for training certain individuals. The amount to be paid is determined by the amount of extended or other additional unemployment compensation benefits. An individual could also receive relocation payments which do not appear to include any dollar limitations.

As mentioned above we are opposed to the extension of F.S.C. or liberalizing the E.B. program. Therefore, under current economic circumstances and with no legislative changes there would be virtually no states paying such benefits. This alone is reason enough not to pass the Bill.

However, even if most states were paying some additional benefits we would be opposed to this Bill. The reason is that we strongly believe that state unemployment taxes should be used solely for paying benefits. To do otherwise is to jeopardize the ultimate integrity of a program as once that principle is violated there will be more and more "socially" required reasons to raid these funds.

Furthermore, this Bill would have a negative impact on the Federal budget as it would spend these "benefit" dollars which would otherwise have been spent only if the claimant exhausted all benefits. As most claimants do not exhaust their benefits, this Bill would result in a net increase in expenditures. Of course, this increases the Federal budget.

CONCLUSIONS

Our unemployment insurance system should consist of two programs. The basic state system which provides up to 26 weeks and our current E.B. program which triggers in at appropriate levels. Therefore, legislation which would extend F.S.C. or otherwise modify E.B. is not necessary. Also concepts which attempt to sue the unemployment system in ways which are foreign to its basic principles in order to meet conceived social objectives should be rejected.

Enactment of these proposals could jeopardize the chances of paying off the debt owed the General Fund by the Federal extended benefit account (Extended Unemployment Compensation Account). Employers have been paying an extra .2 percent "temporary" Federal U.C. tax since 1976 to retire this debt. There is a good chance of eliminating this debt in the next two years if Congress will leave the permanent extended benefit program alone.

The bottom line is that until Congress comes to grips with the deficit it should not be considering proposals such as those being heard by this subcommittee today—these proposals are extremely difficult to justify under current condition!

Chairman FORD. Mr. Whiteley, you will be happy to know that the subcommittee addressed the issue of quality control in its organizational meeting, and we have every intention of closely monitoring the Quality Control Program that is being developed by the Department of Labor.

I want to point out that in the study on payment errors that you referred to in your statement before the committee, which was conducted in six cities, even the author did not make any claims that the results can be applied nationwide.

Mr. Campbell?

M CAMPBELL. I wish to thank you for your testimony, and I apologize for what is taking place on the floor and for having to leave a little earlier.

Chairman FORD. We sincerely apologize for running out like this, and the Public Assistance Subcommittee will stand adjourned.

[Whereupon, at 12:05 p.m., the subcommittee was adjourned, to reconvene at 10 a.m., Tuesday, February 26, 1985.]

FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

TUESDAY, FEBRUARY 26, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:13 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation will come to order. Today we will conclude our hearings on the expiration of the Federal Supplemental Compensation Program and proposals to reform our system of supplemental benefits.

As we all know, the FSC Program expires on March 31, 1985. Whatever legislation we report will have to be acted on very swiftly if we are to avoid disruption in the payments of benefits.

I look forward to today's testimony and want to thank all of the witnesses for their willingness to work with the subcommittee in developing sound legislation.

We had 2 days of testimony on the FSC Program, and this will conclude our hearings, unless there is additional legislation that is introduced in the Congress that we might consider at a later point.

Hopefully, the subcommittee will meet with members of the committee during this week, and next week it might be that the subcommittee would move for a date for some type of markup session on some legislation.

Those are not final plans but hopefully we can continue to work with the witnesses and the members who have all testified before the committee as well as the administration in trying to come up with a plan that will respond to the expiration on March 31 of the FSC Program.

The Chair at this time would like to call the first witness, the Honorable Marcy Kaptur from Ohio. She has testified before this committee in the past. We are delighted to have you once again before the subcommittee. You have made great contributions in the past on legislation that this committee has reported out and we are delighted and welcome you once again.

STATEMENT OF HON. MARCY KAPTUR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Ms. KAPTUR. Thank you very much. It is good to be back. I want to commend you, Mr. Chairman, for holding this series of hearings on comprehensive reform of the unemployment insurance system. Despite the recovery and the national unemployment rate in January of 7.4 percent nationally, there are a number of fundamental problems with the unemployment compensation system, which simple extension of the Federal Supplemental Compensation Program will not address. I would ask that the committee give serious consideration to H.R. 1072 which would merge the current Extended Benefits Program with the Federal Supplemental Compensation Program to form a single streamlined program of extended compensation for the long-term unemployed. But I would stress that, in my opinion, this is only the first step in reforming a system that needs fundamental overhaul in this era of rapid economic transition.

Mr. Chairman, I think we can all agree on the basic principles of a sensible unemployment compensation system. We want a system that provides reasonable aid to those who have lost their jobs, especially those whose jobs have disappeared permanently and to those who will have difficulty finding new jobs because their skills have become obsolete. We want a simplified system that can be understood by all, one which is sensitive to the needs of employees, employers, and administrators. We want a responsive system that helps the unemployed find new jobs and finally we want a fine-tuned system that does not punish States or localities which suffer most from economic downturns.

It is painfully evident that the current approach must be reformed, and I would like to elaborate on a couple points here even though I will not go into each one completely. A full statement will be submitted for the record.

My testimony will touch on the inadequacy of current benefit levels, the necessity for a new trigger mechanism, replacement of the current temporary multitiered system with a simple Federal unemployment insurance system, greater sensitivity to the employer's perspective, transformation of parts of the employment system toward positive adjustment assistance for employees, and finally, the State unemployment debt problem.

First on benefit levels, let me say that an inexcusably low percentage of the unemployed received unemployment insurance benefits. Over the last year, even when unemployment was more than 7.1 percent in any given month, only 35.8 percent of the unemployed received benefits. In my home State of Ohio, only 41.7 percent of the unemployed received benefits.

This low coverage rate is partially attributable to the rise in the number of the long-term unemployed. The Center on Budget and Policy Priorities estimates that there are at least a half a million more long-term unemployed today than there were in May 1980 when the overall unemployment rate was comparable to ours today. The weeks of benefits provided are simply insufficient to meet the needs of the longer term unemployed. As a result, many fall off the rolls. In the State of Ohio, we estimate about 1,500

people per week exhaust their Federal supplemental benefits. In 1984, we know that throughout the State of Ohio 74,544 persons exhausted their FSC benefits.

However, while 70 percent of the younger workers who exhausted benefits found new jobs, only 41 percent of those in the 55 to 64 age group did so.

I represent a district where the pain of long-term unemployment remains for thousands of dislocated workers and their families, and I can attest that life is especially cruel for those who have exhausted their benefits.

I might just insert here that in terms of the assistance available to them through the Job Training Partnership Program, even if we were to spend all of the money in Ohio and do a very efficient job of it, we could only serve about 10 percent of dislocated workers under the existing program.

Therefore, many families are forced to rely on a charity system that cannot cope with the magnitude of their problems. Again, for the over age 55 worker, the crisis is especially acute as employers choose to hire younger workers or deliberately turn away older workers to avoid paying health insurance costs.

Moving on to the issue of the trigger mechanism. Because other witnesses have addressed this issue, I will not go into detail except to say that the IUR formula does not include all persons who receive extended benefits, supplemental benefits, or who have exhausted or never received unemployment benefits.

Most notably, the formula excludes the longest of the long-term unemployed who have fallen off benefits. It is like measuring pollution in Lake Erie by counting fish. If the water is clear, you conclude there must be no pollution when, in fact, the reason you see no fish is because they are all dead from the pollution. Thus States with severe economic dislocation and substantial long-term unemployment often have low IUR's and their unemployed do not receive the maximum available weeks of FSC benefits.

A trigger should reflect the true nature of the unemployment problem in a State, and thus most of all, it should capture the long-term unemployed. H.R. 1072 would make this option available.

Further, the current system provides for two programs which are subject to different eligibility standards that really are impossible for workers to understand and administrators to understand.

Rather H.R. 1072 would provide for only one program to provide benefits so the States with the highest level of unemployment would be eligible for the greatest number of weeks of benefits.

Moving on to employer needs, let me say we should be more careful to design a system that does not place unnecessary burdens on employers. For example, the current design of the system is unsuitable for small business because it frontloads all of the tax in the first quarter of the year. Since only the first $7,000 of wages is subject to a Federal tax, the bulk of taxes are paid at the beginning of the year. This payment schedule creates a cash flow problem for small businesses. We should, for starters, investigate the feasibility of spreading out employer payments over the entire year so as to eliminate the cash flow problem.

In my testimony this morning, I really wanted to concentrate on what I call positive adjustment assistance. I cannot stress enough

my interest in this part of your legislation. With the recent and continuing transformation of the manufacturing base and the related problem of dislocated workers, we must examine how to turn the unemployment insurance system into a positive adjustment assistance program. The unemployed often cannot find new jobs on their own. Therefore, the response of the Government, the private sector, and employees to unemployment must go beyond temporary income support. We must integrate the unemployment insurance system into the job training and placement system, including better linkages to the Job Training Partnership Act and the private industry councils now activated at the local levels as well as the parallel efforts here in Congress to set up individual training accounts for workers.

It is interesting that in the State of Ohio when you look at the Ohio Bureau of Employment Services the unemployment compensation arm of OBES hardly talks to the employment arm of OBES, and there is a real disjuncture that needs to be put back together by encouragement here at the Federal level.

Such approaches will help provide the unemployed with what they really need, not a check from the Government, but a check from an employer. It will also save the Government money as workers will be placed in productive jobs as soon as possible.

There are a number of ways in which the unemployment insurance system could be tied to a positive adjustment assistance program. One would be to provide the additional weeks of unemployment insurance to workers who have exhausted their regular benefits but are in a training program, especially those run in conjunction with the PIC or under JTPA.

Another would be to provide unemployment benefits to part-time workers so employers would have the incentive to keep workers on at a reduced work schedule instead of laying them off altogether. For instance, in the State of Ohio, we have a program which provides partial unemployment benefits to workers whose work schedules have been substantially reduced through no fault of their own and meet the other unemployment claim requirements.

A third approach would be to provide lump sum benefits upfront so as to defray moving expenses, investment in small businesses, or to pay for training expenses. Essentially, there needs to be a stronger and more direct link between benefits beyond the initial 26-week period and training or retraining.

Finally, on the State debt issue, let me just say that States owe the Federal Government an enormous amount in loans borrowed to pay unemployment compensation. Currently, the national figure is $8.1 billion, and Ohio currently owes the Federal Government $1.4 billion of that in unemployment loans, second only to Pennsylvania.

I think a fairer Federal-State cost-sharing approach can be established. Financing should be arranged so that as a State's unemployment rate increases, the Federal Government should pay an increasing share of benefits in that State or in substate regions that remain at high levels of unemployment. In recognition that unusually high unemployment levels in a State are often caused by national and even international events, the bill would provide a slid-

ing scale for Federal participation in the cost of extended compensation.

In conclusion, let me say that a number of bills have been introduced to reform the unemployment insurance system. I am glad to see that Representative Pease has joined us this morning since he is such a leader in all of this and he along with Representative Stark and I have introduced H.R. 1072, a bill which is a good starting point in basic reform of the unemployment insurance system.

Our bill would revise the trigger mechanism, consolidate the FSC and EB Programs and set up a new Federal/State cost formula. But, again, I stress that, in my opinion, this is only the first step in making the antiquated unemployment insurance program into a positive adjustment program.

I thank the Chair for inviting interested Members to participate as well as the members of the public here today.

[The prepared statement follows:]

STATEMENT OF HON. MARCY KAPTUR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Chairman, I want to commend you for holding this series of hearings on comprehensive reform of the unemployment insurance system. My hope is these discussions can lead to the passage of comprehensive reform legislation early in the session. Despite the recovery and a national unemployment rate in January of 7.4 percent nationally, there are a number of fundamental problems with the unemployment compensation systems which simple extension of the Federal Supplemental Compensation program would not address. As a first step, I would ask the Committee's serious consideration of HR 1072 which would merge the current Extended Benefits (EB) program with the Federal Supplemental Compensation (FSC) program to form a single streamlined program of extended compensation for the longer-term unemployed. But I would stress that, in my opinion, that is one of the first steps of reform in a system that needs fundamental overhaul in this era of rapid economic transition.

Mr. Chairman, I think we can all agree on the basic principles of a sensible unemployment insurance system. We want a system that provides reasonable aid to those who have lost their jobs, especially those whose jobs have disappeared permanently, and those who will have difficulty finding new jobs, because of obsolete skills. We want a system that can be understood by all, which is sensitive to the needs of employees, employers and administrators. We want a responsive system that helps the unemployed find new jobs. Finally, we want a fine-tuned system that does not punish states or localities which suffer most from economic downturns.

In judging the current unemployment insurance system by these standards, it is painfully evident that the current approach must be reformed. I would like to elaborate on the following points: (1) Inadequacy of benefit levels; (2) Necessity for a new trigger mechanism; (3) Replace the current temporary, multitiered system with a simple, federal unemployment insurance system; (4) Greater sensitivity to the employer's perspective; (5) Transformation of parts of the employment system toward positive adjustment assistance for employees; and (6) Further steps to solve the state UI debt problem.

BENEFIT LEVELS

An inexcusably low percentage of the unemployed received unemployment insurance benefits. Over the last year, even when the unemployment rate was more than 7.1 percent in any given month, only 35.8 percent of the unemployed received unemployment benefits. In my home state of Ohio, only 41.7 percent of the unemployed received benefits. In contrast, in 1975, almost 80 percent of the unemployed received benefits.

This low coverage rate is partially attributed to the rise in the number of long-term unemployed. The Center on Budget and Policy Priorities estimates that there are at least 500,000 more long-term unemployed today than there were in May 1980 when the overall unemployment rate was comparable. The week of benefits provided are simply insufficient to meet the needs of the long-term unemployed. As a result, many fall off the rolls. For instance, the State of Ohio estimates that 150C

people per week exhaust FSC benefits. In 1984, 74,544 persons exhausted FSC benefits in Ohio.

The Bureau of Labor statistics estimates that between 5.1 and 11.5 million workers became displaced between January 1979 and 1984. Fully 40 percent of displaced workers lived in the eight states of: New Jersey, New York, Pennsylvania, Ohio, Indiana, Michigan, Wisconsin & Illinois. Approximately 60 percent found new jobs. However, while 70 percent of younger workers found new jobs, only 41% of those in the 55–64 age group did so.

I represent a District where the pain of long-term unemployment remains for thousands of dislocated workers and their families. I can attest that life is especially cruel for those who have exhausted their benefits. Unless they sell off almost all their hard-earned assets, they do not qualify for minimum food stamps or other welfare assistance. Many are forced to rely on a charity system that cannot cope with the magnitude of their problems. Again, for the over age 55 worker, the crisis is especially acute as employers choose to hire younger workers or deliberately turn away older workers to avoid paying health insurance costs.

TRIGGER MECHANISM

Another reason for the low coverage rate is the inadequacy of the triggers for the federal UI program. The current triggers fail to reflect the extent of the unemployment problem in a state. In Ohio, in December 1974, total unemployment was 9.2 percent while the insured rate was 3.2 percent.

The Insured Unemployment Rate (IUR) formula does not include all persons who receive extended benefits, supplemental benefits, or who have exhausted or never received UI benefits. Most notably, this formula excludes the longest of the long-term unemployed who have fallen off benefits. It's kind of like measuring pollution in Lake Erie by counting fish. If the water is clear, you conclude there must be no pollution. When in fact the reason you see no fish is because they are all dead from pollution. Thus states with severe economic dislocation and substantial long-term unemployment often have low IUR's and their unemployed do not receive the maximum available weeks of FSC benefits. For instance, only West Virginia, Puerto Rico and Alaska are currently triggered in the EB program despite higher unemployment in major states.

This is an intolerable result. The total unemployment rate should also have a role in determining eligibility for benefits. H.R. 1072 would make this option available. A trigger should reflect the true nature of the unemployment problem in a state, and thus, most of all, it should capture the long-term unemployed. The unemployed in those states with the most troubled economies are going to have the most trouble finding new employment. They deserve the maximum available weeks of benefits.

The two-tiered FSC and Extended Benefits federal approach should be replaced. There is an urgent need for a single permanent program of extended unemployment compensation. These two federal tiers, on top of the state tier, make for a needlessly complicated unemployment insurance structure. It should not take a degree in government to figure out the unemployment insurance system. This complexity is not only unfair to the unemployed, it also serves to confuse the objectives of the system.

The current system provides for two programs which are subject to different eligibility standards that result in benefit levels that are impossible for workers to understand. Rather, H.R. 1072 would provide for only one program to provide benefits. The bill would set up a system of benefit duration similar to that used in the current FSC program—so that states with the highest level of unemployment would be eligible for the greatest number of weeks of benefits.

EMPLOYER NEEDS

The contribution of employers to the UI system is absolutely essential for its solvency. At the same time, we should be more careful to design a system that does not place unnecessary burdens on employers. Small businesses, for example, find the current design of the system unsuitable because it frontloads all of the tax in the first quarter of the year. Since only the first $7,000 of wages is subject to a federal tax (state taxes are often applied to a somewhat higher wage base), the bulk of the taxes are paid at the beginning of the year. This payment schedule creates a cash flow problem for small businesses.

A well-designed UI system would be more responsive to the needs of employers without imperiling the fund's solvency. We should, for starters, investigate the feasibility of spreading out employer payments over the entire year so as to eliminate cash flow problems.

POSITIVE ADJUSTMENT ASSISTANCE

I can't stress enough my interest in this part of the legislation. With the recent and continuing transformation of the manufacturing base, and the related dislocated worker problem, we must examine how to turn the unemployment insurance system into a positive adjustment assistance system. The unemployed often cannot find new jobs on their own. Therefore, the response of government, the private sector, and employees, to unemployment must go beyond temporary income support. We must integrate the UI system into the job taining and placement system including better linkages to JTPA and PIC now activated at the local levels as well as the parallel efforts in Congress to set up individual training accounts for older workers. Such approaches will help provide the unemployed with what they really need, not a check from the government, but a check from an employer. It will also save the government money, as workers will be placed in productive jobs as soon as possible.

There are a number of ways in which the unemployment insurance system could be tied to a positive adjustment assistance program. One would be to provide additional weeks of unemployment insurance to workers who have exhausted their regular benefits but are in a training program, especially those run in conjunction with PIC under JTPA. Another would be to provide UI benefits to part-time workers, so employers would have the incentive to keep workers on at a reduced work schedule, instead of laying them off altogether. For instance, the State of Ohio has a program which provides partial unemployment benefits to workers whose work schedules have been substantially reduced through no fault of their own and meet the other unemployment claim requirements. A third approach would be to provide lump benefit sums up front, so as to defray moving expenses, investments in small business, or to pay for training expenses. Essentially, there needs to be a stronger and more direct link between benefits beyond the initial 26 week period, and training and/or retraining.

STATE DEBT

States owe the federal government an enormous amount in loans borrowed to pay unemployment compensation. Currently, the figure is $8.1 billion. Actions to eliminate this debt have included a sharp rise in unemployment taxes in states like my own, as well as cuts in state benefits. This imposes a substantial burden on hard hit industries and their employees. Ohio currently owes the federal government $1.4 billion in unemployment loans—second only to Pennsylvania. Now is an appropriate time to investigate whether this burden is disproportionate. We should also consider the possibility that if the economy does turn downward, unemployment insurance costs will rise again and compound the problems of indebted states.

I think a fairer federal-state cost sharing approach can be established. Financing should be arranged so that as a state's unemployment rate increases, the federal government should pay an increasing share of benefits in that state, or in substate regions that remain at high levels of unemployment. In recognition that unusually high unemployment in a state is often caused by national and even international events, the bill would provide a sliding scale for federal participation in the costs of extended compensation. States suffering from tough economic times should not be further weighed down by skyrocketing unemployment insurance costs.

LEGISLATIVE OPTIONS

A number of bills have been introduced to reform the unemployment insurance system. Representatives Pease, Stark, and I have introduced H.R. 1072 a bill which is a good starting point for reform of the unemployment insurance system. In particular, the bill would revise the trigger mechanism, consolidate the FSC and EB programs, and set up a new federal-state cost formula. But again, I stress that this is only the first step in making the antiquated Unemployment Compensation Program into a positive adjustment program. I believe that the fundamental problems with the UI system are apparent. I am confident that if we move expeditiously, an excellent reform proposal can be crafted. Let us act now, so that this important objective can be achieved in a timely manner. I thank the Chair for inviting interested Members to participate.

Chairman FORD. I thank the gentlelady for her testimony today before the subcommittee. You will be happy to know that H.R. 1072, which you cosponsored with Mr. Pease and Mr. Stark on the committee, that it is a piece of legislation that we are considering

at this particular juncture with the hearings, and hopefully I will be able to talk with Mr. Pease and others along with you and to see whether or not we will be able to revise a bill or move that bill from the subcommittee to the markup session within the next few weeks.

Ms. KAPTUR. Mr. Chairman, what is your schedule, may I ask?

Chairman FORD. Well, we really do not know. My plans are to meet with the members of the subcommittee later this week to discuss any possible markup session for the subcommittee or any new legislation that might be introduced with working out some agreements on certain provisions with the bill.

I would not want to announce today that we have already planned a schedule but the subcommittee members, as soon as we can meet later this week, we will probably adopt some type of timeframe and a schedule in which we will try to mark up a bill.

We all know that we have less than 5 weeks left with the expiration of FSC so we will have to move swiftly if we are going to meet that deadline, and the committee chairman will make that commitment that we will move swiftly on the House side.

Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman. I would like to welcome our colleague from Toledo, my hometown, and say what a pleasure it has been over the last 2 years to work with Congresswoman Kaptur on unemployment compensation legislation.

She, like I, represents an area of high unemployment, an older industrial area that has many of the problems of the Northeast/Midwest generally, and it has been a very great pleasure for me to see the way she has grasped this issue and has run with it and has been really, really helpful here in the Congress.

She was a cosponsor last year of our unemployment compensation legislation. She is the cosponsor of H.R. 890, the FSC extension bill this year, and of H.R. 1072, as she has mentioned. She is also a member of the Northeast/Midwest Coalition on Unemployment Insurance and has given us this morning in her testimony some excellent ideas on which we can proceed, and I do want to express my gratitude for that.

Marcy, I would like to ask you just one question. In your testimony, you mentioned that we need a closer link between unemployment compensation and adjustment, training, relocation, and so on.

Are you suggesting that we might want to limit the payment of additional weeks of unemployment compensation only to those who are engaged in training of some kind?

Ms. KAPTUR. I think I was specifically addressing the problem of the long-term unemployed here, and from my experience, once people finish that 26 weeks, they enter the nether world, and I think it is really unfair to lead people up to the brink and let them fall off the table.

We know that, for example, in our community the problems with battered children and wives and psychiatric problems of people who are not working are very severe, and I think it is unfair to them if they are not going back to work in a glass plant or an automobile plant or a steel plant to help them use those months and weeks and years, really, productively.

I would like to see some kind of conditionality attached to extension beyond State minimums, and I just think it would move us into a different era where people could think more positively about the future and where our investment dollars would be helping to build the future by helping to rebuild their skills.

I just think we have to move that way, and I might just say, as a Democrat, I think many of these programs that we created back in the 1930's helped prevent revolution back in 1982, but I also think we have a responsibility to meet a new day.

In my district and I am sure Congressman Pease and your district, you know that the people who came out of some of those plants are not going to go back, and we have to help them build their own futures, and we can have a real influence here at the Federal level.

Might I just ask the Chair's permission also to submit a map of the unemployment rates in Ohio back in December 1984, if you do not have that information. I understand you are discussing substate triggers and so forth, and I would just like to present this for our State, if it has not already been entered in.

[The map referred to follows:]

Ohio Labor Market Information

BUREAU OF EMPLOYMENT SERVICES

RICHARD F. CELESTE, *Governor*
DR. ROBERTA STEINBACHER, *Administrator*

OHIO LABOR FORCE ESTIMATES, BY COUNTY
DECEMBER 1984

The Ohio Bureau of Employment Services, aided by its network of public employment offices, updates labor force reports for each Ohio county every four months (22 counties each month). One-page statements offer current labor force estimates as well as qualitative information on the labor supply. These reports are available without charge, upon request to the local office serving the respective county. Unemployment rates are presented on the map below. Estimates are preliminary and not seasonally adjusted. See reverse side.

For additional information, write DIXIE SOMMERS, *Director*
Labor Market Information Division, BUREAU OF EMPLOYMENT SERVICES, COLUMBUS 43219

OHIO CIVILIAN LABOR FORCE ESTIMATES, BY COUNTY, DECEMBER 1984[a]

County	Labor Force[b]	Employed	Unemployed	Rate[c]	County	Labor Force[b]	Employed	Unemployed	Rate[c]
Ohio total .	5,094,600	4,625,400	469,200	9.2	Lawrence	25,277	21,319	3,958	15.7
					Licking	54,051	49,496	4,555	8.4
Adams	7,570	5,911	1,659	21.9	Logan*	18,866	17,353	1,513	8.0
Allen*	52,919	48,104	4,815	9.1	Lorain	118,417	106,057	12,360	10.4
Ashland	22,117	20,049	2,068	9.4	Lucas	223,686	204,326	19,360	8.7
Ashtabula*	43,670	38,117	5,553	12.7	Madison	17,993	16,735	1,258	7.0
Athens	22,300	20,099	2,201	9.9	Mahoning	118,379	105,172	13,207	11.2
Auglaize*	20,384	18,238	2,146	10.5	Marion	30,246	25,180	5,066	16.7
Belmont	36,292	30,355	5,937	16.4	Medina	54,197	49,376	4,821	8.9
Brown	14,846	13,238	1,608	10.8	Meigs*	11,274	10,107	1,167	10.4
Butler	117,387	106,014	11,373	9.7	Mercer	18,862	16,371	2,491	13.2
Carroll	12,054	10,466	1,588	13.2	Miami	44,035	39,887	4,148	9.4
Champaign*	15,181	13,914	1,267	8.3	Monroe	6,107	4,801	1,306	21.4
Clark*	67,907	62,124	5,783	8.5	Montgomery ...	270,947	252,302	18,645	6.9
Clermont	65,189	58,478	6,711	10.3	Morgan	5,807	5,060	747	12.9
Clinton*	19,571	17,760	1,811	9.3	Morrow	10,646	9,324	1,322	12.4
Columbiana* ...	46,701	41,276	5,425	11.6	Muskingum	41,331	36,406	4,925	11.9
Coshocton*	17,357	15,179	2,178	12.5	Noble*	4,579	3,870	709	15.5
Crawford	20,303	17,633	2,670	13.2	Ottawa	20,340	17,358	2,982	14.7
Cuyahoga	715,423	653,861	61,562	8.6	Paulding	9,467	8,600	867	9.2
Darke*	29,708	27,267	2,441	8.2	Perry	12,713	10,676	2,037	16.0
Defiance	17,844	16,143	1,701	9.5	Pickaway	23,898	22,139	1,759	7.4
Delaware	29,962	27,300	2,662	8.9	Pike	10,788	9,215	1,573	14.6
Erie*	38,445	35,022	3,423	8.9	Portage	62,950	56,406	6,544	10.4
Fairfield	51,863	47,499	4,364	8.4	Preble	18,085	16,869	1,216	6.7
Fayette*	12,467	11,196	1,271	10.2	Putnam*	16,238	14,139	2,099	12.9
Franklin	468,664	440,693	27,971	6.0	Richland	65,647	58,319	7,328	11.2
Fulton	18,347	16,351	1,996	10.9	Ross	29,059	26,272	2,787	9.6
Gallia*	14,564	13,128	1,436	9.9	Sandusky	30,978	27,361	3,617	11.7
Geauga	35,292	32,498	2,794	7.9	Scioto	28,453	24,129	4,324	15.2
Greene	61,289	57,270	4,019	6.6	Seneca*	25,967	23,046	2,921	11.2
Guernsey*	16,628	14,681	1,947	11.7	Shelby	19,161	16,994	2,167	11.3
Hamilton	427,858	397,442	30,416	7.1	Stark	173,065	154,883	18,182	10.5
Hancock	36,318	33,915	2,403	6.6	Summit	240,621	217,754	22,867	9.5
Hardin	13,859	12,370	1,489	10.7	Trumbull	100,713	87,870	12,843	12.8
Harrison	6,465	5,082	1,383	21.4	Tuscarawas ...	39,715	34,990	4,725	11.9
Henry	14,027	12,463	1,564	11.1	Union	15,935	14,463	1,472	9.2
Highland*	14,573	12,960	1,613	11.1	Van Wert*	14,104	13,054	1,050	7.4
Hocking	8,302	7,044	1,258	15.2	Vinton	5,232	4,291	941	18.0
Holmes	13,893	13,104	789	5.7	Warren	49,565	45,185	4,380	8.8
Huron*	26,277	22,900	3,377	12.9	Washington ...	30,213	26,460	3,753	12.4
Jackson	13,338	11,790	1,548	11.6	Wayne	50,697	46,994	3,703	7.3
Jefferson	33,554	29,263	4,291	12.8	Williams	18,559	16,577	1,982	10.7
Knox*	20,572	18,279	2,293	11.1	Wood	50,282	46,506	3,776	7.5
Lake	102,437	92,861	9,576	9.3	Wyandot	13,742	12,370	1,372	10.0

[a]These estimates, prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor, are preliminary, geared to county of residence, and not seasonally adjusted. They should be rounded before use. [b]Civilian labor force equals employment (including workers involved in labor-management disputes) plus unemployment. [c]Rate represents unemployment divided by civilian labor force. *Individual county reports for December 1984 are available without charge from local public employment offices serving counties designated by asterisk. Also available (address below) is methodology used for labor force estimates.

Labor Market Information Division
Ohio Bureau of Employment Services
Columbus 43216 1-28-85 RS-219

Chairman FORD. We will be happy to make it a part of the record. We are, in fact, discussing substate triggers, and that is why we wanted to meet later this week with the members of the subcommittee as well as other Members in the Congress and those who have testified before the committee. We will be talking with your staffs and all and collecting information and data that we think will be good for a piece of legislation to be introduced.

Ms. KAPTUR. I would like to finally say to the chairman that I am glad to see you look so good. I know how hard you work in your efforts here on this committee. I was a little worried about you last year.

I hope at the end of 1985 you will look as good as you do at the beginning.

Chairman FORD. Thank you very much.

Mr. Richard Simmons, Jr., director of the Michigan Employment Security Commission.

Mr. Simmons, we are very happy to have you before the subcommittee today, and we look forward to hearing from you in your testimony.

STATEMENT OF RICHARD SIMMONS, JR., DIRECTOR, MICHIGAN EMPLOYMENT SECURITY COMMISSION, ACCOMPANIED BY THOMAS WEST, EXECUTIVE ASSISTANT

Mr. SIMMONS. Mr. Chairman and Mr. Pease, in order to evaluate the significance of the issues we are addressing, I think I should talk about the severity of the unemployment depression that still encompasses the State of Michigan.

I would like to point out that even with the national recovery in full swing, Michigan's unemployment rate is still 12.1 percent as of January 1985. Now, since 1980, the Michigan unemployment rate has been in double digits for 60 of the previous 61 months.

The auto industry has always been sensitive to the cycles of the national economy. Consequently, Michigan expects the recession/recovery cycle, where unemployment climbed sharply for a period of time and then is followed by a vigorous recovery.

However, the events which began with the energy crisis of the mid-1970's and which were exacerbated by higher interest rates, foreign competition, and the lack of consumer demand have had a prolonged and permanent effect on the auto industry.

In 1982, motor vehicle production was the lowest in 20 years and more than 40 percent below the output levels of 1978. Only recently has the auto industry started to recover. However, production and employment levels remain considerably below prerecessionary levels.

Comparing 1984 to 1978 prerecessionary levels, the State has lost approximately 400,000 wage and salary jobs. Because of the pervasive nature of the unemployment depression in Michigan, nearly every resident and business has been affected. In 1984, the number of jobless averaged 488,000. These levels of unemployment mean that in Michigan's labor force nearly one out of every nine persons is unemployed. Manufacturing employment has declined by nearly one-fifth and construction by more than one-fourth between January 1979 and January 1985.

The job loss has dislocated many workers in all areas of the State. In January 1985, over 48 percent of the unemployed workers were of prime working age, that is, 25 to 44. Fifty-seven percent were male. The employment situation of females and minorities, of course, is quite serious. For January 1985, the female unemployment rate was 11.9 percent. The black unemployment rate was 33.2 percent, and the unemployment rate of black youth was a staggering 58.1 percent. We had major areas in the State with unemployment rates running anywhere from 12 to 18 percent.

As I understand it, much testimony has gone on speaking to the triggering mechanisms of the Extended Benefit Program. So I will not go into that.

But I would like to come back to saying that our real problem is presented with this triggering mechanism vehicle, as you know, and that should always be on the board.

One of the things that I think in the deliberations going on that I did want to stress is that looking at the insured unemployment rate in the State which may be declining, Michigan's total unemployment rate at present is 12.1 percent, but the insured unemployment rate has dropped 3.8 percent, and the disparity between the total unemployment rate and the insured unemployment rate has greatly increased nationally.

Certainly, there must be something wrong with the program which was intended to benefit the long-term unemployed during periods of high unemployment but which triggers off in Michigan and other States when they have a total unemployment rate of over 12 percent and which have had the double digit and inflation rate that they have consistently had over the last 5 years.

I would thus urge Congress to amend the Extended Benefit Program by modifying the method by which the insured unemployment rate is calculated to insure that benefits are available to States which need them, cannot provide for an alternative method of triggering on.

Last, the Federal Supplemental Compensation Program is a complicated and confusing program, the result of numerous amendments which were last minute reactions to a pressing need to extend the program. Few can understand the program and those who are responsible for administering it find it extremely difficult to implement its changes without delays resulting.

For these reasons, I strongly urge Congress to reform both programs, both EB and FSC, to simplify them and to insure that they actually provide the benefits they were intended to provide.

More specifically, I urge that serious consideration be given to the types of reform measures contained in your bill, Mr. Pease, and the Levin bill on FSC, which would extend the life of the FSC Program for 2 years, change the beginning date for calculating the long-term insured unemployment rate and permit a State to pay benefits on the alternative basis of that State's total unemployment rate.

In addition, H.R. 1114, 646, 1072, and 1159, all of which you are familiar with, currently pending before Congress, would each address some of the concerns we have about extension and revision of the FSC Program and our revision of the EB Program.

Thank you for listening.

[The prepared statement follows:]

STATEMENT OF RICHARD SIMMONS, JR., DIRECTOR, MICHIGAN EMPLOYMENT SECURITY COMMISSION

Mr. Chairman, members of the committee, I am Richard Simmons, Jr., Director of the Michigan Employment Security Commission. I would like to express my appreciation for the opportunity to present my concerns about the problems facing the long-term unemployed in Michigan.

In order to evaluate the significance of the issues that will be addressed by this Subcommittee on Michigan, I believe it is essential that you understand Michigan's current economic situation.

I do not believe that the nation realizes the severity of the unemployment depression that still encompasses the state of Michigan. Even with the national recovery in full swing, Michigan's unemployment rate reached 12.1 percent in January 1985. Since 1980, the Michigan unemployment rate has been in double digits for 60 of the 61 months.

The auto industry has always been sensitive to the cycles of the national economy. Consequently, Michigan expects the recession/recovery cycle, where unemployment climbs sharply for a period of time and then is followed by a vigorous recovery. However, the events which began with the energy crisis of the mid-seventies and which were exacerbated by: higher interest rates, foreign competition, and the lack of consumer demand have had a prolonged, and permanent, effect on the auto industry. In 1982, motor vehicle production was the lowest in 20 years and more than 40 percent below the output levels of 1978. Only recently has the auto industry started to recover. However, production and employment levels remain considerably below pre-recession levels.

Comparing 1984 to 1978 pre-recessionary levels, the state has lost approximately four hundren thousand wage and salary jobs. Because of the prevasive nature of the unemployment depression in Michigan, nearly every resident and business has been affected. In 1984, the number of jobless averaged 488,000. These levels of unemployment mean that in Michigan's labor force nearly one of every nine is unemployed. Manufacturing employment has declined by nearly one-fifth and construction by more than one-fourth between January 1979 and January 1985.

The job loss has dislocated many workers in all areas of the state. In January 1985, over 48 percent of the unemployed workers were of prime working age 25–44 and nearly 57 percent were male. The employment situation of females and minorities still remains quite serious. For January 1985, the female unemployment rate was 11.9 percent, the black unemployment rate was 33.2 percent and the unemployment rate of black youth was a staggering 58.1 percent. Major areas within the state have also been subject to the severe impact of the recession. In September 1984, the Bay City area had an unemployment rate of 12.8 percent, while the second highest unemployment rate was recorded in Jackson with 11.6 percent.

Since the late 1930's the initial level of protection for people who lost their jobs in this country has been the Unemployment Insurance (UI) program. Because of the highly cyclical nature of Michigan's economy, it has played a critical role in maintaining some stability in the state's work force.

The purpose of the Federal Supplemental Compensation (FSC) program has been to provide benefits to individuals who have had an extended duration of unemployment, and who have exhausted their rights to regular state benefits and federal-state Extended Benefits (EB), during periods of high state unemployment.

Because of the continuing high rates of unemployment, and because EB is no longer available in Michigan (and most other states), I strongly urge that Congress extend, beyond March 31, 1985, the Federal Supplemental Compensation (FSC) program. If nothing else, such extension would be a short-term solution for individuals who exhaust regular state benefits without EB. I urge the Congress to give careful consideration to the bill recently introduced by Congressman Levin to modify, and extend the life of the FSC Program.

I believe Congress must be made cognizant of the fact that long term solutions are also needed because the Extended Benefit and Federal Supplemental Compensation programs are not functioning as Congress had intended and are not providing benefits to those unemployed who are most in need of them.

The EB law passed by Congress included a triggering mechanism called the Insured Unemployment Rate (IUR). When such rate reached a certain level (orginally 4.0 percent, and 20 percent higher than the average of the comparable period for the prior 2 years), then the EB program would trigger "on". The criteria for triggering "on" currently are 5.0 percent and 20 percent higher. This triggering mecha-

nism was intended to insure that EB would trigger "on" only when unemployment went up to a certain level and only when such unemployment was rising above the prior years' levels.

This, however, presented a problem in states which had high rates of unemployment for an extended period of time but such unemployment was not 20 percent greater than the average of the comparable 2 years which was also high. Failing to meet the 20 percent requirement resulted in failure to meet the trigger requirement for an EB program in such state.

In response to this situation, federal law was amended to permit the states the option to trigger "on" without regard to the 20 percent requirement as long as the state's IUR reached a level higher than 5 percent (later increased to its current 6 percent).

Such change, however, has not solved the problem that the IUR rates do not appear to properly respond during long periods of high unemployment. The problem exists because of the method used in calculating the IUR. In determining the IUR, only individuals receiving state regular benefits are counted; not counted are the unemployed who are drawing benefits under some other programs, such as FSC or EB (EB claimants were originally counted), nor are those counted who have exhausted unemployment benefits under all available programs and are still unemployed. In addition, in response to federal law changes, and voluntary efforts to restore solvency to state trust funds, states have amended their laws to make qualifying for state benefits more difficult. Michigan currently has the third most stringent qualifying requirements nationally. Preventing such individuals from qualifying for state benefits has removed another group from the unemployed used to determine the IUR.

The problem can be best seen by comparing the IUR in a state (which may be declining) with a Total Unemployment Rate (TUR) in that state. Michigan's TUR is currently 12.1 percent, but the IUR has dropped to 3.81 percent, and the disparity between the TUR and IUR has increased greatly, both in Michigan and nationally. Certainly, there must be something wrong with a program, which was intended to benefit the long term unemployed during periods of high unemployment, but which triggers off in Michigan which has a TUR of 12.1 percent and has had double digit unemployment for over 5 years.

I would thus urge Congress to amend the EB program by modifying the method by which the IUR is calculated, to insure that benefits are available to states which need them, and/or provide for an alternative method of triggering "on".

Lastly, the FSC program is a complicated and confusing program, the result of numerous amendments which were last minute reactions to a pressing need to extend the program. Few can understand the program and those who are responsible for administering it find it extremely difficult to implement its changes without delays resulting.

For those reasons, I strongly urge Congress to reform both programs, both EB and FSC, to simplify them and to ensure that they actually provide the benefits they were intended to provide.

More specifically, I urge that serious consideration be given to the types of reform measures contained in the Levin Bill on FSC, which would extend the life of the FSC program for two years, change the beginning date for calculating the long-term insured unemployment rate, and permit a state to pay benefits on the alternative basis of that state's TUR. In addition, H.R. 1114, 646, 1072, and 1159, currently pending before the Congress would each address some of the concerns we have about extension and revision of the FSC Program and/or revision of the EB Program.

Mr. PEASE [presiding]. Thank you very much, Mr. Simmons. We appreciate your testimony. I would like to ask a couple of questions. You, in your testimony, urge that we give States the alternative of using the total unemployment rate, TUR, rather than the IUR.

Can you tell the committee briefly how you calculate the TUR for the State of Michigan?

Mr. SIMMONS. That is a technical question. I will ask my colleague to answer that.

Mr. WEST. My name is Thomas West. I work for the Michigan Employment Security Commission.

Michigan is one of the, I believe, 10 States that are part of the Federal program getting the unemployment rate from the Bureau of Labor Statistics on a monthly basis. Most of the States calculate the total unemployment rate on their own. We do not.

Mr. PEASE. I see. You get the figures from the Department of Labor.

Mr. WEST. That is correct.

Mr. PEASE. There has been some concern expressed, Mr. Simmons, that the TUR is not an actual count of unemployed people, and there is a sampling method involved, and for that reason the TUR might not be accurate enough to serve as a gauge or triggering mechanism for unemployment compensation.

How do you feel about the adequacy of the TUR for that purpose?

Mr. SIMMONS. For that purpose, I actually think the TUR is an undercount of persons that are out of the labor market, those who have no resources, for the total unemployment rate of a State. I actually feel it is an undercount.

I say that on the basis of some of the studies that I participated in years ago while I was at the university as a director of research for Wayne State, working with Michigan State Institute for Social Research.

One of the things we found out was that so many people who had fallen away from the job market still wishing to participate just didn't. Over the last 4 or 5 years, most and many people just have totally withdrawn. Where do you go to find a job at this time?

Mr. PEASE. What about substate triggers? Do you feel that it is worthwhile and feasible to initiate a system of triggers for parts of a State as opposed to the entire State?

Mr. SIMMONS. I absolutely do. I think this argument about the difficulty of disaggregation is a policy. I believe that it can be handled. I think that the local management information system, the local count that we actually do with the Department of Labor every month, for them every month prove that on the standard metropolitan area we have disaggregated it that far, and it can be further disaggregated.

I do not think it is that difficult. I think that is something that has been discussed to death, and with a little initiative, can readily be handled.

Mr. PEASE. One final question, Mr. Simmons. Can you tell us how much interaction there is between your local unemployment offices and the Jobs Training Partnership Act operations in the various cities of Michigan?

Mr. SIMMONS. I think in Michigan, we are relatively fortunate in that we work pretty well with our local community based organizations, et cetera, in all those different programs. The Job Training Partnership Act through the Governor's Office of Job Training has given us a melding that has so far worked.

Of course, I do think that to some degree at the beginning I do not mind saying that the Department of Labor sort of abrogated its responsibility a little bit. It could have been more forceful in putting this altogether locally and nationally. I would still like to see that done.

Mr. PEASE. Thank you very much, Mr. Simmons.

Thank you, Mr. Chairman.

Chairman FORD. Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

You said for Mr. Pease that you had a local count that was done every month for the Department of Labor. That is your IUR, right?

Mr. SIMMONS. Say that again.

Mr. CAMPBELL. The local count that you are doing on the basis of an SMSA for DOL is the insured unemployment rate which is actual hard numbers, is that not right?

Mr. SIMMONS. We do this for the central metropolitan statistical area, yes, on a monthly basis.

Mr. CAMPBELL. But those are the hard numbers?

Mr. SIMMONS. Yes.

Mr. CAMPBELL. And the TUR is the statistical number drawn from a sample which is drawn either from your State and the Nation.

Mr. SIMMONS. That is correct.

Mr. CAMPBELL. So it is a total sampling of people whether they would be eligible or not eligible for FSC, EB or unemployment insurance.

Mr. SIMMONS. No, we do not do a total sample.

Mr. CAMPBELL. But the TUR is a total sample that samples anyone whether they have ever been eligible or would be eligible, is that correct?

Mr. WEST. That is correct, Mr. Campbell.

Mr. CAMPBELL. What I am trying to get at is that I am interested in the substate trigger. That is where I am trying to go. We have had people tell us that we could not get to a substate trigger, that it would be too complicated and so forth.

Yet you are keeping now records and providing on less than a whole State basis the hard numbers, is that correct?

Mr. SIMMONS. Yes.

Mr. CAMPBELL. So we could use the hard numbers probably on any defined substate region if we set it up, county or whatever that happened to be. Could you do that in Michigan?

Mr. WEST. Mr. Campbell, we could do that. There are some technical problems in trying to do that. As you know, the rate of insured unemployment is the ratio of insured unemployed divided by covered employment.

When you try to count covered employment at local levels some States have difficulty because the employers do not report employment within a county designation or a labor market designation.

So the program would have to be expanded to pick up data in greater detail than it currently is.

Mr. CAMPBELL. It would require them reporting that in a smaller unit, is that right?

Mr. WEST. Yes.

Mr. CAMPBELL. If that were done, though, you could count it on an IUR basis?

Mr. WEST. That is correct.

Mr. CAMPBELL. Thank you very much.

Chairman FORD. Thank you very much, Mr. Simmons, for your testimony.

The subcommittee would like to call Mr. Leon Lynch, who is vice president of human affairs for the United Steelworkers of America.

Mr. Lynch, it goes without saying that this is a personal honor for me as chairman of this subcommittee to have the opportunity to invite you to appear before this subcommittee. Mr. Lynch, to share with my colleagues, came out of the Memphis area, the district that I represent, not only with the steelworkers but also heading up the A. Philip Randolph Institute, very instrumental in my first congressional race, instrumental in two State house races, and I am just delighted that I have you before the subcommittee today and welcome you before the subcommittee, Mr. Lynch.

STATEMENT OF LEON LYNCH, VICE PRESIDENT, HUMAN AFFAIRS, UNITED STEELWORKERS OF AMERICA, ACCOMPANIED BY JACK SHEEHAN, LEGISLATIVE DIRECTOR

Mr. LYNCH. Thank you, Mr. Chairman. I am delighted to be here, and members of the committee.

My name is Leon Lynch and I am an international vice president, human affairs of the United Steelworkers of America.

I welcome the opportunity to address this committee on unemployment compensation which is vital to working people generally and of paramount importance to the 180,000 steelworkers who have lost jobs over the last 4 years.

UNEMPLOYMENT COMPENSATION—A DISINCENTIVE

I would like right at the beginning of my testimony to rebut a statement which, unfortunately, is working its way into the jargon of some academics and most regretably is now being mimicked by policymakers in our Labor Department which claims that unemployment compensation is "a disincentive to work."

Deputy Assistant Secretary of Labor Patrick J. O'Keefe, before both this subcommittee and the Gibbons subcommittee on trade, denounced the Extended Benefit and the Trade Adjustment Assistance Programs on the grounds that "increasing the number of weeks of benefits available results in increasing the duration of unemployment." Unemployment among workers with a history of attachment to the workforce and with seniority in their plants results from an economy which is either on a recessionary or semi-recessionary status or is not producing jobs fast enough to absorb those structurally laid off. Steelworkers are facing both cyclical and structural unemployment. Despite a modest 8-percent increase in steel shipments in 1984, average employment declined by 2.8 percent from the previous depressed year of 1983. Furthermore, regardless of the recovery, steel firms continue to shutdown their mills.

In such a circumstance, it is unbelievable that a Department of Labor official could declare that unemployment compensation is causing longer periods of unemployment. Members of our union are subject to recall and no amount of compensation will deter them from wanting to return to the mills.

Beginning in May 1981, production workers employed in the steel industry equalled 300,000 persons. For the next 18 months employment fell until it reached a bottom of 150,000 workers in

November 1982. Despite a slight recovery during 1983 and the first quarter of 1984 to around 180,000, employment returned to 151,000 by year's end.

During this period, there has not been a single day that the officers of my union have not been haunted by those statistics. President Lynn Williams has made the readjustment to those men and women the highest priority of our union's concern. He has appointed a task force which jointly working with management has established dislocated worker centers at each of United States Steel's closed facilities and is initiating a similar process required by our contractual arrangements with other steel corporations. Unfortunately, the dislocated worker provision in our contract is not becoming an obsolete one. Announcements of permanent reduction of steelmaking capacity continue to haunt us. I am not talking just about cyclical downturns and temporary layoffs. I am referring also to permanent shutdown of facilities and final termination of jobs. At every conference and meeting which is held, these statistics come alive as worker after worker tell his or her horror story of unemployment and its devastating consequences.

Steelworkers, some who are from the third generation of families who have worked in the same mill, whose income and benefits have given them the security to achieve an adequate standard of living have suddenly had their entire existence threatened: home mortgages are foreclosed; health care coverages have expired; their children's educational careers are canceled; and a host of personal disorders are brought on by stress and the stigma of unemployment.

My response to any and all who believe that unemployment compensation is a disincentive to work is an invitation to visit one of our dislocated workers centers. I guarantee a quick revision of attitude.

Unemployment compensation is a temporary but vital stabilizer for working people and their families during the trauma of layoff, a trauma which social psychologists rank on the same level as a loss of spouse, parent or child.

DISLOCATED WORKERS

To be deprived of a job means not only to lose income but to lose purpose in life. Some workers have gone so far as taking theirs. But if the unemployment is viewed as being temporary, of course, our workers will try to "tough it out." Unemployment compensation softens some of the tough going, but the economic injury remains and the families of workers suffer the consequences when general economic policies do not assure a full employment economy. However, the problems of unemployed workers become even more grievous when basic structural changes are confronting the firms and plants in which they work at a time of a down turn or an incomplete recovery. Alternative jobs are not being created fast enough and the job search is even longer. The structure of the American economy is shifting enormously, and the effects of this shift if it continues without redress could be calamitous.

The Department of Labor recently issued the results of a study of 5.1 million workers who had lost their jobs during the period 1979

through 1983. Half of the total job losers were from the manufacturing sectors and an equal number responded that their plants had closed down or moved. At the end of the study period, 42 percent had not returned to their jobs or found other employment.

In that 5-year period, 219,000 primary metalworkers were dislocated. They had 3 or more years of seniority in employment before being laid off and had no reasonable expectation of returning to their jobs. At the end of the survey period, 85,000 metalworkers remained unemployed while another 34,000 moved into the twilight zone of "Not in the Labor Force." Half of the 77,000 who had returned to full-time, nonsteel employment returned at a 20-percent or more cut in earnings.

FSC EXTENSION

Despite this new characteristic of the current unemployment problem, the administration's budget proposal calls for elimination or recising many of the programs which help in the readjustment process:

Cutback in the job training funds [JTPA].

Elimination of the Trade Adjustment Assistance Training Program.

Of immediate concern to your subcommittee, end of the Federal Supplemental Compensation Program on March 31.

We do not believe that any of the unemployment reports warrant an end to the FSC Program:

The 7.4 percent national unemplomeni rate is intolerably high. The administration's forecast of 6.8 percent at the end of 1986 and no less than 5.7 percent by the end of the decade assumes a chronically high continuing level of joblessness. These rates cannot be acceptable as normal.

Furthermore, 17.8 percent of the unemployed as of November 1984 were experiencing more than 26 weeks of layoff.

The President continues to paint a rosy picture of a shining city on the hill. Such portrayal does not describe the grim reality of steel towns where blast furnaces have been quenched and the mills are rusting or have been dynamited. The fires that make steel have gone out in Youngstown, OH, with the result of 171 people seeking work for each available job opening. Gary, IN—a town named after a steel baron and created expressly and singularly to make steel—is shattered by the closing and 96 people are chasing after a single opening in that community.

Steel mills along the Monongahela, Youghiogheny, and Ohio Rivers which once lit the sky now look like beached whales. Johnstown and Bethlehem, PA; Cleveland and Lorain, OH; Gadsden, AL; Lackawanna, NY; South Chicago, IL; Pueblo, CO are a litany of communities whose fate and well-being are inexorably linked to steel production.

What do the unemployed in these towns want? They want to work.

While the recessionary pressures forced many steelworkers onto the streets, imports forced steel companies into retrenchment decisions. Perhaps the President's steel import policy to negotiate surge control agreements or voluntary export control agreements will al-

leviate that aspect of the problem. But steel industry recovery is not yet pronounced and many steelworkers will never return to the steel mills, recovery or otherwise.

The press of this country gave more coverage to Al Davis' decision to move the Oakland Raiders to Los Angeles than it did when a major steel producer decided to close its west coast mills.

Let me turn to the pending business of this committee. On March 31, the Federal Supplemental Compensation [FSC] Program is due to expire. If you allow that to happen, only West Virginia and Alaska and Puerto Rico will provide additional weeks after regular State benefits are exhausted.

H.R. 890, introduced by Congressman Pease, calls for an extension of FSC for 18 months which will provide needed benefits to the currently unemployed and will allow sufficient time for Congress to reform the current Extended Benefit Program.

There were 1.4 million people out of work for 27 weeks or more in January of this year whose benefits are threatened to end if the FSC expires. With each of the past entensions, Congress included "reachback" weeks of benefits for those who had exhausted all eligibility. Without extension and without reaching back to those who have exhausted all benefits, these families will face unbearable hardship. Usually, the first necessity to go is the car, either repossessed or sold. Yet a car is essential for effective job search.

We admit that the indicators of recovery are positive. The GNP is up. The Dow-Jones average breaking records. But there are also indicators that speak to those other Americans who are losing out. Among the long-time unemployed there is increasing alcoholism, spouse abuse, family breakups, more frequent mental disorders, heart attacks, and suicides.

Pittsburgh is a perfect example of this split society. From my office, I can see the new high-rise office buildings which are springing up in the Golden Triangle. Their boutiques and imported cheese shops are well stocked for the professionals who work in those offices. Looking out another window, I can see the spot where the Jones & Laughlin works once employed over 6,000 steelworkers, its gates now padlocked. In the nearby town of Duquesne where United States Steel's mill is closed, for the first time ever, one can see people picking through garbage cans for scraps.

The opening sentence of Dickens' novel "A Tale of Two Cities" seems frighteningly prophetic: "These are the best of times, these are the worst of times."

ECONOMIC PAIN

I say that the Congress cannot turn away from those citizens on the down side. The recent display of concern for the farmers who are faced with widespread foreclosures has its parallel in the industrial communities. Unfortunately, action by the House last year to respond to the worker home foreclosures was stymied in the Senate. Hopefully the support so far for the farm loan program will be duplicated by the program to extend compensation to the longer termed unemployed and to reconsider their foreclosure problems.

REACHBACK NECESSITY

We urge this committee to recommend as a stopgap measure the continuation of the Federal Supplemental Compensation Program with a reachback of eligibility for unemployed who have exhausted all eligibility. In steel communities, the reachback provision is vitally important. DOL Deputy Assistant Secretary Patrick O'Keefe stated that the previous FSC's "were designed to meet recessionary unemployment levels." Without reiterating my comments as to whether we are out of the recession yet, steel towns are still deeply in the clutches of high unemployment. Furthermore, if the recovery is to reach our steel communities, more than just an increase in steel production will be required. That is so because many of our members have been permanently severed from their jobs in the mills and new job opportunities have to emerge in these areas.

Hence, since the slow pace of the recovery has not yet reached our areas in either a cyclical or structural sense, therefore, our union strongly petitions for both the FSC and its reachback program.

UNEMPLOYMENT COMPENSATION—A REFORM

The second concern of this Committee is to reform the Federal/State Extended Benefit Program. It is seriously flawed and needs reform.

The 1981-83 recession was the largest and deepest since the Great Depression of the 1930's. However, the relative coverage and amount of unemployment compensation was less than that provided during previous recessions. Gary Burtless of the Brookings Institution documented at the September hearing of this subcommittee that the amount of compensation per job loser was lower in 1981, 1982, and 1983 than any year since 1971. In the 2-year period 1982-83, real compensation was about 40 percent below the level paid in the previous severe recession 1975-77. In November 1982, the low-tide month, less than half, that is 49 percent, of the unemployed were receiving a benefit.

The declining participation rates are attributable to tightened eligibility requirements for entry into the regular State programs and the elimination of a national trigger for providing Extended Benefits.

In addition, amendments which were incorporated in 1981 tightened the Insured Unemployment Rate which is used to trigger the EB Program and discounted from the formula those workers who were receiving an EB benefit. The effect of these changes was not felt during the last recession because the implementation of the amendments were deferred until August 1982 to allow States to amend their laws to conform with the Federal mandate. A total of 35 States triggered "on" the EB Program during the first two quarters of 1982, but by October, 20 of these had triggered "off"; and by August 1983, no State provided extended benefits. Had the amended trigger formula been in effect in January 1982, only 18 States would ever have triggered into the EB Program.

We believe that the current EB and FSC Programs should be combined into one system whereby benefits up to a maximum of 30 weeks would be provided, depending upon the unemployment in

each State. H.R. 1072 introduced by Representatives Pease, Clinger, Stark, Kaptur, and Boehlert does that. It also provides for a more realistic formula than the present IUR being utilized by the EB Program. It is not reasonable that, given the present characteristics of unemployment, all benefits expire after 26 weeks. Furthermore, workers should not have to be kept continuously in limbo on the question of whether Congress will either enact or extend an emergency supplemental relief program during periods of high unemployment. These benefits should be automatic so that there can be some degree of confidence. The pressures on the lives of the unemployed are intense enough without adding the uncertainties as to whether there will be unemployment compensation beyond 26 weeks.

The Congress should take this opportunity presented by H.R. 1072 to reform the Federal system of unemployment compensation. Our future economic picture remains somewhat blurred and, therefore, a more workable system is necessary. Meanwhile, we urge enactment of H.R. 890 with an amendment to include a reachback provision so that there will be no gap in the continuation of coverage pending congressional review of the reform measures. There are other specific comments regarding reform items which we should like to submit to the committee at a later date. But for now, we need the FSC extension and some assurance that reform remains a viable issue on the legislative agenda.

I would like to thank the chairman, Mr. Ford, and the other members of the committee for this opportunity to testify.

Chairman FORD. Thank you very much, Mr. Lynch.

Mr. Lynch, there has been talk about the extension of the FSC as well as reforming the EB Program with the IUR triggers or whatever. The administration has indicated that there is no real need for an extension of the FSC Program, that there is no real need to really look into this particular area as it relates to EB and FSC, that the 26 weeks of State unemployment compensation benefits would really suffice, and it is responding to the needs of the unemployed in that, for the Government to throw additional dollars at this problem at a time when we have had some 7.5 million jobs created within the last 2½ to 3 years, we are on our way back to a sound recovery according to the administration and that there is no real need for additional weeks, 6, 8, 9, 10 weeks for those who are unemployed when oftentimes you will find that worker or that recipient of unemployment compensation benefits really seeking employment but not seriously seeking that employment until such time as those benefits have all been exhausted.

You are telling us in this testimony today that many of these steel plants and mills have closed permanently, is that correct? And there is no hope. There is no future for some of these mills to reopen. Some have been dynamited. You mentioned some have been boarded up.

Mr. LYNCH. That is correct, Congressman, but I also hasten to bring to the attention of the committee in my testimony that 1.4 million people are now unemployed in excess of 27 weeks and were on the program, FSC. So there is a need for the FSC Program.

I can cite to you the kind of devastation that takes place in a steel community when people have run out of benefits and have no

place to turn. The other day I got a telephone call from a Dr. Purper who is the coroner for Allegheny County in Pennsylvania, and he was calling me with regard to three steelworkers who had committed suicide.

So I think we have a real problem in the area of people that are unemployed and have no benefits. Therefore, I think it is essential that this committee at least take an absolute good look at providing some benefits for those people that are unemployed, even structurally or cyclically unemployed and they cannot find a way of keeping body and soul together.

That is what this Nation is all about is providing for the least of us, and if we cannot at least provide benefits for those unemployed, then I see no reason for this Nation to exist for the millionaires.

Chairman FORD. What is the future of these recipients unemployed steelworkers after the FSC benefits are all exhausted?

Mr. LYNCH. Well, a study was done by a Dr. Melkey at the University of Pittsburgh, and his study revealed that people that have had all of their benefits run out, 80 percent of them suffered psychological stress, and a good 5 percent of them contemplate and some actually do commit suicide.

The future is very grim unless the economy picks up. If the economy picks up and they are able to get into training Programs that prepares them for other jobs or they get into other jobs that are available in their community, then there may be some hope.

But unfortunately, in some of the areas where we have had steel mills, the steel mills have been the only business that is going in some of these little towns. So there basically is no other work there in those little towns for awhile.

So until there is a chance for other businesses to move into these areas and for local government and for local businessmen and for State government and the Federal Government combined together to help build some kind of entrepreneurship in these areas, people that are unemployed need to have a way of keeping themselves at least with the ability to have food, a little health care, and keep body and soul together.

Chairman FORD. Well, in light of the plants and mills closing down and some permanently, you do feel that there is still hope. There is still some opportunity or chance there for these steelworkers to be gainfully employed or to identify some other location in which to relocate.

I am trying now to counter the argument of the administration that we should not continue the program in certain cases, and I guess you have already, in your testimony, put one before the committee now that many of these mills will be reopening, and if that is the case, what do we do as it relates to the extension of FSC, EB, any additional weeks of unemployment compensation?

Training-wise, is there anything in the future of the union itself or within the cities where many of these steel mills have already closed with any job training programs or that we can help institute through legislation or extension of FSC or some substate trigger legislation being reported out of the subcommittee?

Mr. LYNCH. Well, we have a 1-percent setaside with the steel industry. Hopefully it will work out, but it needs time. If this administration's program works, if he is, in fact, able to negotiate these

voluntary restraint agreements with these other countries and we are able to get a better part of the market for the domestic steel producing facilities here, some of those jobs will come back on-line.

But we are, in the meanwhile, establishing through our own union's efforts, working with management, we are setting up training programs throughout these steel valleys. We are working with the unemployed committees to try to come up with ways of saving some of those mills that have been determined to be closed down when, in fact, they are quite operative. There is absolutely nothing wrong with them except they need a buyer or they need a little bit of repair work.

We are working with local governments. We are working with country commissioners and mayors and we are working with everybody who has an interest in preserving some jobs in the areas where our members are laid off.

But I think the thing that this Congress can do is to pass this piece of legislation that we are asking for now, the FSC extension, and hopefully give yourself time to combine the EB and the FSC.

I think we need that combination because we have immediate problems with people. We are reaching out and getting cheese and milk. Food banks are set up across the length and breadth of our jurisdiction.

But it is difficult for me to give you a capsule answer as to what has to be done in order to get these businesses back on stream because we have an administration that, obviously, that is not concerned about rebuilding and protecting these jobs.

We tried to establish a tripartite relationship with this government, and we agreed to work with labor and management and government working together. Well, when we sat down with them at the table, we were not heard.

We come up with all kinds of ideas and recommendations to keep these facilities onstream and we come up with all kinds of ideas and recommendations that will be in the best interest of the communities that are being shackled now.

Chairman FORD. Are you trying to retrain these steelworkers, the laid off steelworkers?

Mr. LYNCH. We are retraining. We have training centers set up throughout our jurisdiction, but the steelworkers are working with, as I said, management, local government, local communities training our workers.

But the training programs work only if there is a job at the end of the training.

Chairman FORD. Are these people receiving any type of benefits, those that are in training, other than unemployment compensation, and once they exhaust those benefits, are they entitled to any additional benefits by the union or anything?

Mr. LYNCH. No, they are not entitled to any benefits by the union unless they are on strike. We do not have any benefits that are set up for unemployed situations. You see, we have never been faced with this kind of a situation in the history of the steel industry, to my knowledge.

It has been a slow phasing out process, but in the last 2½ years, the bottom completely dropped out. That is why I think there has to be some kind of a program that is focused and I heard some tes-

timony about a program that would perhaps focus on regions that are worse hurt, and many of the regions where these steel facilities were are the worst hurt, the Youngstown, the Johnstown, the Lackawanna, the Birmingham, the Gary, IN. Those areas are worst hurt.

It seems to me there ought to be some kind of a program that can focus on the areas where structurally unemployed people will have a little more time to restabilize their lives and to find some employment.

Chairman FORD. I think Mr. Campbell and other members of the committee have all expressed the substate triggers in talking about the pockets of high unemployment when you have States with total TUR and IUR not being what they should in order for EB to trigger on.

Mr. Lynch, the reachback provision that you talked about in your message, how many people are we talking about as it relates to your industry, the steel industry, that we would be reaching back with additional weeks of unemployment compensation?

I know in the last FSC bill we had about 4 or 5 weeks of reachback. We had a reachback provision for 4 or 5 weeks. How many people are we talking about if we had a reachback provision for 4 or 5 weeks and what good or what purpose would it serve with a reach provision?

Mr. LYNCH. I would give rough estimates.

Chairman FORD. The purpose is really what I need. I am just trying to get a number and trying to deal with numbers in my head.

Mr. LYNCH. Well, I would say approximately 100,000 people that need to have this reachback cover them until they are able to try to find something.

Chairman FORD. What are they doing now? I know they are unemployed. But are they in a training program? Are they seeking relocation? Are they before the courts in foreclosures with their homes? Are they in hospitals? Are they street people? What are they? What are they doing now?

Mr. LYNCH. All of the above. You described it perhaps better than I could. Our members are trying to make every effort to find work. They are in training programs. Some of them are in hospitals. Some of them are in jail. They are into every aspect of life.

Chairman FORD. Would a reachback provision save homes? Would it turn utilities back on for families who have been living in a distressed period? What are some of the things that a reachback provision would do to assist with steelworkers in those States that you have talked about?

Mr. LYNCH. Well, a reachback provision, in my judgment——

Chairman FORD. Rather than trying to respond, if you could share that information or get information back to us for the committee within the next 10 days, we would appreciate it because we are going to be marking up a bill in the near future, and I would certainly like to get the impact of a reachback provision of 4 or 5 weeks, what good it would serve or what purpose it would really serve other than just additional dollars being spent by the Government. Are we really talking about homes being saved, families being hooked back into the utility district in these cold winter days

that we have had, but if you could submit that information to us, Mr. Lynch, we would appreciate it.

Mr. Pease.

Mr. PEASE. Mr. Chairman, I do not have any specific questions, but I must say I was very impressed with the testimony of Mr. Lynch. And as a person who has some 4,000 long-term umemployed steelworkers in his district, I can tell you I am very, very sympathetic to the plight of these workers that you described.

And I can testify, as did you, about the problems which unemployed workers and their families do have as a result of long-term joblessness.

Thank you very much.

Chairman FORD. Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

Mr. Lynch, I know this is kind of a tough question but it is one that I think needs to be asked. How long should we fund someone who is out of work?

Mr. LYNCH. Well, I think, Congressman, the answer to that question is a rather complicated one because I think if you are talking about people that are laid off they are going to go back to their own jobs, to be recalled, because their mill is still operating. The layoff may be a short period of time.

But if you are talking about people who are structurally unemployed but in time will find another job after they have received training, that time of employment, of course, will be extended. So I do not have an absolute answer to your question but I do think that it depends on the particular set of circumstances in which the individuals who is unemployed funds himself.

Mr. CAMPBELL. Well, I am concerned about the steelworker. I have a textile area, and I have towns where the mill shutdown and they are running 50 and 60 percent unemployment in the town, and unless somebody else comes in and opens that textile mill, it is going to continue that way unless they go somewhere else and look for a job.

The point that I am trying to get to is how long should we fund people that are structurally unemployed before we expect them to reach out into other areas to look for a job rather than to try to hold where they are.

That is really the concern that I have. I know it is difficult. I mean, there are people I talk to everyday that have lived in a place for all their life and their parents' lives and an industry has died, and they do not want to leave. And I understand that.

But I wonder about our obligation to help those people, help them as much as we can in that particular community. How long do we try that before there has to be a move out.

Mr. LYNCH. Well, Congressman, I think the point is well made. We do not expect any continuous unemployment benefit for people that do not have jobs, that do not have hope of getting a job in that particular area and are not making any effort to get a job.

Now, I think the key is not making an effort. Therein lies where we think our people are making efforts. We are looking for jobs. We are in training programs. We are doing everything that can be expected of a particular workforce individual.

So I think it is in the best interests of this Nation for us to at least make an effort to find ways of keeping that person so that he can continue the efforts to find work because if they lose that work ethic and have no intentions of going to work, I think then they may concentrate on other means of getting money which will not be work, and that we do not want to happen.

Mr. CAMPBELL. I certainly agree with you. My concern came from——

Mr. LYNCH. I would like to yield to Jack Sheehan who is legislative director for the United Steelworkers.

Mr. CAMPBELL. Go ahead.

Mr. SHEEHAN. The reason I do that, Congressman, is we were talking this morning as we were getting prepared for the session today. Your question is how long should unemployment compensation be extended.

Now, there are some who say that unemployment compensation should be only for the duration of some kind of a recessionary or cyclical unemployment and that for all practical purposes this is just for 26 weeks.

But, we are trying to indicate this morning that the compensation should be of a longer duration than on which just handles cyclical or recessionary problems. We are saying unemployment compensation ought, on an automatic, permanent basis, reach into the structurally unemployed.

I think your question still remains. How long in the structural area should the compensation continue? What we are trying to indicate to you, at least as it is in the bill, there is an outer reach of 61 weeks.

One of the questions brought up earlier today is that as you get to the outer reaches of that structural period should you condition the continuation of unemployment compensation upon the fact that you brought a retraining program into that area.

I think you ought to look very close at the fact that you ought to stretch it to where there is a retraining program so the person could stay in it. Right now, we are finding people cannot get into these programs because they have lost their compensation.

So in our answer to your question, the duration of the compensation should be more than the cyclical. The period includes structural situations, and even further on out. Under the TRA Program for instance a worker can get up to 78 weeks of benefits. That is taking into consideration some of the more structural concerns. Under that program a worker can obtain 52 weeks of benefits. It is a guarantee, if the reason for the unemployment is due to imports. But he can get 26 weeks additional dependent upon the fact that he is in a training program.

We are pushing for those training programs. We want those training programs to come in. However, we find those funds being cut there, but that is another issue.

Mr. CAMPBELL. Well, I guess I would have to ask this question because I am experiencing some of the same things. If I am going to train people in my area and they are not going to look out of the area for a job because there are not any jobs available in that area, yet to satisfy the job search requirements in the unemployment

system they go back to the same places where they know there are no jobs, then how long do we go on training them?

How long do we wait before a requirement to move out is one that we have to meet? You cannot continue ad infinitum with a program that supports or trains people in a given area where there are not more jobs and there are no prospects of improvement.

I know it is a traumatic situation and that is the reason I am extremely interested. I say it again with the substate triggers and our ability to target extended aid for impacted areas like this without opening up the whole thing because it is not necessary to open the whole thing up. We are impacted in several States and in substate regions around this country. Outside of that, we have a recovery.

We are impacted in certain industries. Textiles in my area. Steel in yours and others. But outside of that, we have a recovery in many other industries. So what I am trying to get to in my thought process and working on this committee is how do we design legislation that can reach out and help those people in these impacted areas. We can also realistically answer the question how long do we help people in an impacted area before the system itself has to be terminated to even encourage a move out to where there might be employment. That is my concern.

I do not think you have an answer to it yet, and I certainly do not have an answer. I am seeking it, but I deeply appreciate your testimony. I am very sympathetic to people that are in a structurally unemployed situation where they have been even for generations in a given industry. As I said; it is tramatic but you know and I know in an industry such as yours or such as one in my area, not only impacted by imports but impacted by modernization. The employment levels will never go back to what they were because we have modernized plants and facilities which are not nearly as labor intensive. We would be very foolhardy to try to make them labor intensive because they would go under again in the face of competition.

So we must look at how we structure a program that will aid people as long as you can realistically before it pushes them out because there is not a prospect of a job, and that really is what I am asking.

Mr. SHEEHAN. There really are two problems which we all face. One, you have a pragmatic problem. You must set a number or limitation. You must determine what is it. The bill at least goes to 61 weeks. Should it be 61 or a 65? That is a pragmatic decision that you have to make.

There is another aspect, and I think, Congressman, we appreciate the way you are expressing it. It seems to us that you are really saying you must be able to handle the structurally unemployed worker. You cannot cut him off at the knees after 26 weeks of benefits.

So from what we are hearing, we are very pleased that you want to push it beyond the 26 weeks. The practical cutout or limitation is beyond the 26 weeks period. How many weeks? You are going to try to make a determination.

But, the idea that from a social policy point of view, you are pushing it beyond 26 weeks is very welcome. I think that when you

get at the outer perimeter for some workers you may be considering them as eligible for the welfare rolls. That is the other alternative.

But if there are jobs elsewhere, an there is a possibility for relocation training is a reason for extension of compensation benefits. At our centers, we are talking about where there are jobs elsewhere. We are however, hoping a recovery will come into our area so we do not have to move.

Mr. CAMPBELL. Are you encouraging them to look in other places where you have a possibility?

Mr. LYNCH. Yes, we are encouraging our members to look wherever there may be job opportunities, although we realize that some people may be because of the system welded not to go out of the State because if they go out of the State, they lose that benefit that they were receiving in the State.

So I think there is another problem there of losing unemployment benefit if they move out of the State. So that sort of keeps them, in a sense, close to the State anyway, within that State anyway.

Mr. CAMPBELL. Unless they moved out for employment.

Mr. LYNCH. Yes, well, they would look out seeking employment but they cannot stay beyond 2 weeks. If they do, they are in trouble.

Mr. CAMPBELL. I understand that, and we would not want to have anybody fall into that situation, but nevertheless, the encouragement to look out has to be there.

Mr. LYNCH. Yes.

Mr. CAMPBELL. And that is the thing that concerns me that we reach a point where we are not encouraging it. The point that you made, and you know, we are dealing with proud people. We are dealing with people who have worked for a living all their lives, and the prospects to them in many instances of going on a welfare program is not very bright. They do not like that because it is not in their nature, and I understand that.

But I do think we have to all realize that that program is out there, that there are programs out there beyond FSC or when we reach the cutoff, and we should hope that we would let people move out into the job market before they would reach that point. But I still have not gotten it in my mind where we draw a line. If you say 52 weeks, 61 weeks, 66 weeks, how long do we go before we understand that the prospects in a given community of an industry returning are not good and the encouragement has to be to move from there?

Perhaps we should do some other type of reporting. Some type of survey situation in a city out side of the number of people unemployed but what prospects of a job market are. I do not know what we put together to try to deal with this problem, but I think that we agree that we have to do some targeting with our efforts.

I thank you again for your testimony because though I do not agree with some of your proposals, I do agree with others.

Chairman FORD. Thank you, Congressman Campbell.

Mr. LYNCH. Under our Job Training Partnership Act dislocated workers for Johnstown, I would like to read you just one little paragraph.

The center began its job search assistance program with an information search seminar which sought to explain the nature of the services available and to sell their importance. Over 90 percent of those who came to this meeting signed up for the program. The major attitude problem encountered at this first meeting was the conviction that there were no jobs worth searching for in the immediate area. The seminar countered this by showing the results of job development work done by staff that had turned up hundreds of openings in several county areas surrounding Johnstown.

So we are showing people where where there are jobs in these seminars.

I would like to submit this for the record.

Mr. CAMPBELL. I wonder if you also could get an idea, and I would like to see it for the record, of the people that signed up how many have sought or obtained employment outside the area.

Mr. LYNCH. We will get that information.

Mr. CAMPBELL. The program probably would keep something on that. I think that would be very helpful to us. Thank you very much.

[The information follows:]

UNITED STEELWORKERS OF AMERICA,
Washington, DC, July 22, 1985.

Ms. JULIE HORTEN,
Staff Assistant, Committee on Ways and Means, House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MS. HORTEN: At the hearing on February 26, 1985 before the Subcommittee on Unemployment Compensation, Chairman Ford asked United Steelworkers Vice President Leon Lynch to estimate how many dislocated Steelworkers had obtained employment and relocated outside of their local labor market.

The following is Mr. Lynch's reply to this question.

The Trade Adjustment Assistance program provides job search and family relocation allowances to certified workers who have lost their employment due to the impact of imports.

The Department of Labor has notified that of the 162,821 TAA-certified workers in the Steel Industry (SIC's 331), 1089 workers received a Job Search Allowance and 926 received a Relocation Allowance during the period April 1975 through January 1985.

The Department has also notified that for the same period, 34,731 workers in the Fabricated Metal Product Industry (SIC's 34) were certified for TAA benefits, of which 79 received Job Search Allowance and 95 received Relocation Allowances.

In addition, approximately 12,000 trade impacted workers in the Steel and Fabricated Metal Products Industries have entered the Training component of the TAA program and upon completion would become eligible for job search and/or relocation allowances.

Sincerely yours,

JOHN J. SHEEHAN, *Legislative Director.*

Chairman FORD. Thank you very much, Mr. Lynch. When you submit that information back to the subcommittee, if you could also try to identify information pertaining to steelworkers who have exhausted all of their benefits, the ones that we are talking about for a reachback, if any of those learned or picked up an additional skill through some training program and would like to relocate to a different area. I think it would be good for the subcommittee to know that if we are going to consider a reachback we might want to consider a reachback provision that would say that we would reach back and pick those up who were seeking relocation, who have already been trained or are in some type of training program that would like to relocate to a different part of the country, and we look at some numbers not only in the steel industry but we

would also look at some numbers as it relates to other industries and the unemployed who have exhausted all of those benefits who would like to be afforded an opportunity to relocate to a different area, if we are going to put the reachback provision on the table.

I am not sending a signal or saying to you that we will have a reachback provision within the bill that will be before the subcommittee for a markup session, but we would like to be privy to this information.

Mr. LYNCH. Thank you, Congressman. That is a very encouraging thing, Mr. Chairman. We will submit that information.

Chairman FORD. Thank you very much, Mr. Lynch.

Our next panel consists of Mr. Craig Schwanke, Warren County Unemployed Committee; Mr. Joe Cummins, and Ms. Gladys Hudak. This is the National Unemployed Network.

You are Mr. Schwanke, and you are Ms. Hudak.

Is Mr. Cummins in the audience?

[No response.]

Chairman FORD. If not, the committee will recognize you at this time, Mr. Schwanke.

We are delighted to have the two of you before the committee. We are delighted to have the panel before the subcommittee, and we look forward to your testimony.

STATEMENT OF CRAIG SCHWANKE, WARREN COUNTY (PA) UNEMPLOYED COMMITTEE, NATIONAL UNEMPLOYED NETWORK

Mr. SCHWANKE. I thank you very much for this chance to speak. My name is Craig Shwonkie, and I am speaking for the Warren County Unemployed Council concerning the need to continue the FSC Program. Regardless of the propaganda from the Reagan administration there is no economic recovery for us in western Pennsylvania. Workers are still laid off in Warren County, and without the FSC Program, these people will join the rest of us who are part of the recovery because our unemployment has run out, struggling against hunger, cold, homelessness, sickness, and death.

Unemployment, even by unofficial Pennsylvania Job Service figures, stands at 15 percent of the work force with official figures placing unemployment at 9 percent in Warren County. If FSC is not extended, we can expect another decrease in the unemployment figures. More families will experience a lower standard of living and government will have embarred us with more lies of economic recovery.

FSC is essential to many of the unemployed. That extra time granted by the program may be what they need before they are called back to work. Some of the unemployed have become underemployed working part-time at minimum wage and collecting partial unemployment. FSC helps these underemployed workers hold on, gives them a little time and a little hope.

We are dedicated to the fight to better the lives of the unemployed, underemployed, and poor in Warren County, PA, and the Nation as a whole. The battle for FSC benefits is just one phase of this struggle.

Let me tell you something. You are sitting on a powder keg and the fuze is getting very low. Workers in this country have suffered

through 4 years of Reaganomics and the safety net promised us dissolved long ago, and we have seen workers' homes, dreams, families, health, their very lives destroyed. Now, you are facing a whole Nation rising against needless suffering joining together students, farmers, workers, the elderly, and poor. You will be able to silence some of these by appropriating the funds they want, satisfying their greed, but the majority of the people now see that if the Government has the money to continue NASA's Space Shuttle Program, has the money for the Pentagon's $100 toilet seats and $1,000 coffeemakers and refrigerators, has the money to prop up rightwing dictatorial allies and money to oppose leftwing dictatorial enemies, if the Government can support whole economies of less developed nations, then the money is available to take care of those in need at home.

We expect you to pass an extension of the FSC Program with a reachback provision for those will be dropped for we know you will not act quick enough to keep the program going without interruption.

But do not think continuing FSC will silence us for all is not well in America. We will be back to fight for basic human rights and a better life for everyone. If you fail this Nation's worker, the consequences will be yours to bear alone. Our time has come to move from welfare to our share. From charity to parity. Give us what is rightfully ours and we will be able to build on our hopes, prayers, and dreams a country where a President who really represents the best interests of the people will be able to stand with all of us and say America is back.

Thank you.

Chairman FORD. Thank you very much.

Ms. Hudak.

STATEMENT OF GLADYS HUDAK, MON-VALLEY UNEMPLOYED COMMITTEE, NATIONAL UNEMPLOYED NETWORK

Ms. HUDAK. My name is Gladys Hudak, and I come before you from an area near Pittsburgh, PA, called the Mon-Valley.

I was employed in a grocery store for 16 years and a month ago our store closed down and I have lost my job. It was not something that happened overnight. I saw it coming for the past 2 years, and there was not anything we could do about it.

The major employer in our area are steel mills. Over the past few years, some have closed down and the mills that used to employ thousands now only have a few hundred working. Therefore, many businesses in our area are now closing and we are still losing more jobs.

I am also a local union officer. I am the recording secretary for the United Steelworkers Local 8122. We used to have a local with 16 stores in it. Over the past year, we have lost five due to closing. The 11 still in operation are facing closings due to economic conditions that we did not cause and cannot be blamed for. I have seen many people lose their jobs and after their unemployment benefits have expired, they lost their homes, cars, and most of all their dignity.

I am also financial secretary of our district community service committee where we have, along with local health care centers established health care programs for our unemployed and low income families. We have set up food banks for people who probably would go hungry and hot lines for those who have no place to turn.

But those are temporary solutions. We need to do more for our unemployed people. You need to support our efforts to help ourselves. A Federal job program for all unemployed is long past due, and until we have jobs we need support like Federal unemployment benefits that allow us to keep our families in decent living conditions while we retrain and fight to rebuild our regional economics.

Chairman FORD. Thank you very much.

Have either of you received or exhausted any of your FSC benefits?

Ms. HUDAK. No, I just lost my job on February the 2d. I have not even gotten an unemployment check yet.

Chairman FORD. You are still on the State's 26 weeks.

Ms. HUDAK. Right.

Chairman FORD. Mr. Schwanke, can you tell me about your situation?

Mr. SHWONKIE. I was laid off from a refinery. I work in a grocery store now part-time.

Chairman FORD. When was that?

Mr. SCHWANKE. In 1982.

Chairman FORD. Have you been called back?

Mr. SCHWANKE. I was called back for 1 month for an emergency shutdown, and my earnings were enough then that I collected unemployment for almost 2 years with State benefits, FSC and EB.

Chairman FORD. Are you currently receiving anything?

Mr. SCHWANKE. I receive no kind of aid whatsoever, and I have gone from making about $10 an hour down to $4 an hour part-time wages.

Chairman FORD. So you are presently receiving no unemployment compensation benefits?

Mr. SCHWANKE. No; I am not.

Chairman FORD. And you are working now and making what? $4 an hour you said?

Mr. SCHWANKE. Yes.

Chairman FORD. Where are you employed now?

Mr. SCHWANKE. In a grocery store.

Chairman FORD. Now, the 2 years of unemployment compensation benefits whether they were State unemployment benefits, EB or FSC, you did receive those benefits for a 2-year period, is that correct?

Mr. SCHWANKE. Yes, approximately.

Chairman FORD. In receiving those benefits, was it helpful for you to seek employment or be retrained?

Mr. SCHWANKE. It was very helpful because I did not suffer through the stress. I have a mortgage and utilities and everything that goes along with owning a home, and with continuing receiving the benefits, it relieved the stress of wondering what exactly was going to happen to my home, if I lost my home, where I was going

to go. If I was going to have enough food to eat, if I was going to be able to pay my bills, just what was going to happen.

It gives you, like I said in my testimony, it gives you just a little more hope and a little more time to work, to go out and look for work. It is a grace period like the people need to deal with this problem of unemployment, and there are a lot of people.

Chairman FORD. Were you able to keep your home?

Mr. SCHWANKE. Yes; I still have it. It's really hard now. I do not qualify for any State programs in Pennsylvania because I am single and working part-time at my wage it is very hard to hold on to what I have but I have been able to, but there are about 1,000 people in Warren County that will lose their benefits if FSC is not extended, and that is out of a county with a population of 45,000, a work force estimated at 20,000 now.

Chairman FORD. Now, is that your town, too, Ms. Hudak? What is the unemployment rate in your hometown?

Ms. HUDAK. Well——

Chairman FORD. You did not work in a mill. You worked in a store as well, is that correct?

Ms. HUDAK. Right.

Chairman FORD. How long were you employed at the store?

Ms. HUDAK. Sixteen years.

Chairman FORD. And you think you lost your job as a direct result of the closing of steel mills and the layoffs?

Ms. HUDAK. Definitely. The economy is very bad in our area. A lot of the places are closing down.

Chairman FORD. Have you started looking for new employment?

Ms. HUDAK. Yes.

Chairman FORD. So you have been unemployed now for about 3 weeks?

Ms. HUDAK. Yes.

Chairman FORD. Have you been seeking employment?

Ms. HUDAK. Yes.

Chairman FORD. Are your plans to stay in your own hometown or to seek employment in other areas or what?

Ms. HUDAK. I would like to but I do not know what is going to happen. It is hard when you have to go to a job for $3.35 an hour with no benefits, 18 hours a week.

Chairman FORD. Do you have a family?

Ms. HUDAK. No, fortunately.

Chairman FORD. The committee would like to thank the two of you for your presence and your appearance and your testimony as well before the committee.

Thank you very much.

The next panel is a group from the National Unemployed Network. Sharon DeFrieze, project assist, Rock Island, IL; Jerry Messer, project assist, Davenport, IA; Donald Hellerman, Greater Elmira, NY, Unemployed Council; and Mark Kempner of Buffalo, NY, Area Unemployed Council.

The committee would like to welcome each member of the panel for coming and being a part of the subcommittee and the hearings today on FSC. We are delighted to have you with us, and I will recognize you in the order in which I called your names.

We will let the gentlelady be recognized first.

Ms. DeFrieze.

STATEMENT OF SHARON DeFRIEZE, DIRECTOR, PROJECT ASSIST DISLOCATED WORKER CENTER, ROCK ISLAND, IL, NATIONAL UNEMPLOYED NETWORK

Ms. DEFRIEZE. Thank you, Mr. Chairman.

Mr. Chairman, I very much appreciate this opportunity which you have provided for me to testify today. It is deeply appreciated.

My name is Sharon DeFrieze. I am director of Project Assist Dislocated Workers Center. The organization is a not-for-profit organization that was created in August of 1982 as one of the programs sponsored by organized labor to help the unemployed in the quad-city area. Our program helps union and nonunion workers from our area.

We are currently serving 4,000 dislocated workers. We provide job placement and relocation service, and we also refer workers to education, training programs, and social service agencies.

It is through these efforts that we have become thoroughly familiar with the plight and the needs of the unemployed.

There are now of 25,000 unemployed workers in the quad-cities. That is a 13.5 percent unemployment rate. However, the above official statistics clearly underrepresent the reality. My experience lends me to believe that the real unemployment rate is far higher. We need to change the official sampling procedure to better count the discouraged unemployed. The United Way recently in our community did a study which showed that true unemployment rate was, in fact, closer to 21 percent.

Daily headlines read "IH Farm Plant Leaving, 3,000 Jobless." Caterpillar moving area jobs to France.

In the week of February 18, a 1-week period alone, the headlines read, "American Air Filter moving its company to Tennessee, 350 workers without jobs."

"Freeman-Glickman furniture store closing its doors after 39 years."

"Ordel Jewelers going out of business after 39 years in the quad-cities. Poor economy cited as major factor."

The list goes on and on, leaving quad-citizens feeling hopeless with a bleak forecast for job opportunities. The Federal supplement compensation has been very beneficial in the past. It complements the dislocated worker program of the Joint Partnership Training. It allows the unemployed to train for a new job while still drawing benefits. It does require that the training be in a marketable skill and cleared with the local employment security department. Training lasts from 6 months to 1 year. Unfortunately the reality is that many must wait 3 to 6 months before they are eligible for enrollment and training is approved.

The extension of FSC would help sustain them during this training period until new employment would be found.

The loss of this much needed benefit would strip unemployed people of training opportunities as well as a source of income while they adjust their lives and search for job placement or job relocation.

Short-circuiting the amount of benefit time that should be given to the unemployed victims will result in increased domestic violence, drug abuse and crime. It will also result in cultivating a new generation of welfare users, the tax users instead of taxpayers.

Without FSC, JTPA and economic development, thousands of workers in my area will be held hostable. On behalf of the unemployed, I ask you to support the issues that are crucial to their survival.

Thank you.

Chairman FORD. Thank you very much.

Mr. Messer.

STATEMENT OF JERRY MESSER, OUTREACH WORKER, PROJECT ASSIST DISLOCATED WORKER CENTER, DAVENPORT, IA, NATIONAL UNEMPLOYED NETWORK

Mr. MESSER. Mr. Chairman, thank you and the members of this committee for allowing me this opportunity to testify on behalf of the unemployed in my area of the country.

I am Jerry Messer, a native of Davenport, IA; and am presently employed as an Organizational Outreach Worker for the Project Assist Dislocated Worker Center. My responsibilities include the bringing together of the unemployed. By coming together, they can support each other emotionally, make suggestions to the community concerning their situation and assure themselves the opportunity to take advantage of the existing public and private programs which are available. Maintaining the visibility of the unemployed is, in itself, an important function. All too often, when the unemployed are not seen, they are soon forgotten.

One of the major legislative concerns of the unemployed is the extension of Federal Supplemental Compensation [FSC]. These workers are not the chronically unemployed of the past. They are workers with long and steady work records. They have served our country in the Korean and Vietnam conflicts. They have been substantial taxpayers and the backbone of our community. These are families who have been products of the American dream. They are now seeing what they have worked to attain slipping through their fingers.

Without the FSC, job training and job placement services, our community will see more suicides, broken families, crime, and drug abuse.

To cite a few examples of situations that are facing these unemployed victims, I would like to tell you about a Davenport resident who worked for 12 years with his company. He lost his job during a department shutdown. He was a family man who placed a strong emphasis on his religious upbringing. One night he purchased a shotgun and went home. Once there, he put the gun in his mouth and killed himself.

Another area family was faced with the mother being laid off for over 3 years from International Harvester. The father had 26 years seniority with the same company, and was working when the notice of the sale of International Harvester to Tenneco was announced and the closure of the International Harvester farmal plant. This man went to work and started to set up his machine

only to find himself frozen, unable to move or think how to go about his job he had performed for 26 years. The plant nurse referred him to the Mental Health Center for Emotional Stress.

These are two stories of human beings who could, if it were not for the reality of long-term unemployment, have lived long happy lives. Unfortunately, thousands are facing fear and pain. Programs like FSC are not perfect solutions. But the program does provide some funds which can often hold a family together while they have a chance to find alternative employment. I know that the deficit is large and that it must be reduced. However, I believe that the FSC Program must be extended.

While many areas are, we understand, moving toward recovery, in the Quad Cities where manufacturing is largely dedicated to the agricultural sector, unemployment is very high and rising.

Thank you, Mr. Chairman.

Chairman FORD. Thank you very much.

Donald Hellem, Greater Elmira, NY, Unemployed Council.

STATEMENT OF DONALD HELLEM, GREATER ELMIRA (NY) UNEMPLOYED COUNCIL, NATIONAL UNEMPLOYED NETWORK

Mr. HELLEM. Thank you for this time you have given me to speak. This is a great honor.

The largest single issue facing this country today is unemployment. It is estimated for each 1 percent of unemployment this costs the government between $25 and $30 billion in income taxes, unemployment benefits and social services. Creating enough jobs so that everybody who wants one can have one is not a moral and ethical fair thing to do, it makes good dollars and cents. Lowering the unemployment rate by 4 percent would cancel out half of the Federal deficit. All we ask is you act fairly and with integrity.

We have found ourselves stigmatized by social misconceptions about unemployment. We are plagued with no jobs, rejection and lack of funds. Most people say unemployment is not so bad. There are programs, agencies and organizations to care for the unemployed. These outmoded programs are of little help to the modern unemployed. We are in a new age. This calls for new laws, rules and regulations. We must look to the future with every action that we take. This unemployment is now. Let us deal with it now. If we do something now, at least in the future we can say we tried to make it a better country for the unemployed, for all of us. We must united so we can be heard loud and clear. This is as it should be, one for all and all for one. Without each of us working together, we are doomed to failure.

Perhaps in your opinion there is less unemployment now in this Nation. All you have to do is ask anyone. There is an unemployment problem. What people do not agree on is the solution. Some say ignore it and it will go away. Others say it will take care of itself or let someone take care of it.

I say we have a problem. Let us work together, whether it be management of labor, rich or poor, let us solve this problem. I can tell you I know what unemployment is. Millions of others can tell you the same. We do not want something for nothing. We have all tried to find work. Every minute of every hour of the day we are

trying to care for ourselves and our families. We are caught in a trap. We are not poor enough for welfare. Yet each day we find ourselves using up our assets. When this is gone, then what? We helped build this country and make it strong so that we could have the respect of ourselves. I ask you are we going to forget our unemployed or are we going to help each other? The choice is ours. I and others have found there is little that you can do alone. This is a united Nation effort. This is why we call ourselves the United States of America.

This Nation cannot write off major industries without paying dearly for it in the future nor can all cities and regions of America be allowed to decay without serious social and economic consequences. Government must enter into a new partnership with labor to revitalize the Nation's economy.

The unemployment situation that exists in Chemung County, NY, the Empire State, is this. The Census Bureau of 1980 had us with 98,000 people. We have about 29,000 people receiving some sort of welfare assistance, be it food stamps, hospitalization, ADC, or other. We have an unemployment rate of 9 percent according to labor statistics. We have the honor of having the largest unemployment rate in New York State.

We do not lose jobs by one or two. We lose jobs by hundreds and thousands. At this time, we have about 15,000 people in Chemung County unemployed or underemployed. If you truly believe that we are having an economic recovery, come on up and see for yourselves.

Now, how to solve this problem? The major area to consider is communications. This area is weak throughout the Nation. I know. I am one of these unemployed. It is easy to lose interest in a vast impersonal machine that seems to run by its own rules. It is less easy to ignore one that you are invited to help run.

Communicate with us and we will listen.

Chairman FORD. Mr. Kempner.

STATEMENT OF MARK KEMPNER, COORDINATOR, BUFFALO (NY) AREA UNEMPLOYED COUNCIL

Mr. KEMPNER. Thank you, Mr. Chairman.

Thank you for the opportunity to testify before this committee today. I am here asking you to support in your committee, at a minimum, an extension of the Federal Supplemental Compensation Program.

As the coordinator of the Buffalo Area Unemployed Council, I am in daily contact with unemployed workers. I wish to add my voice to the chorus of people who speak about the psychological and economic pain of being unemployed.

In the midst of what we are being told is one of the most far-reaching and dramatic economic recoveries in this century, let me share with you the realities of the long-term unemployed worker who cannot find work because jobs do not exist.

In the Buffalo area plant closings in 1984, a year of supposed expansion in our local economy, eliminated almost 2,000 jobs.[1] The

[1] NYS Department of Labor, Division of Research and Statistics—information received by request in January 1985.

closing of Bethlehem Steel's Lackawana plant has cost our area some 16,000 jobs since 1983.[2] These people are just some of the almost 56,000 people in our county who are looking for work in Erie County.[3] This figure, given the labor force in our county, represents a 13 percent unemployment rate, not the 8.5 percent officially reported for November 1984.

Aside from the magnitude of the problem, there are facts that we now know about the impact of long-term unemployment on individuals, particularly among those who are the victims of plant closings in the "smokestack"industries. A year long study on the long-term unemployed who worked in the steel industry reported the following:

One, median income dropped from $20,000-$24,000 down to $10,000-$14,000 since 1979.

Two, current unemployment, among those who lost their jobs from plant closings, is 47 percent; 30 percent for whites, 60 percent for blacks. Only 31 percent have found full-time jobs.

Three, 24 percent have been forced to move because of reduced income.

Four, 26 percent have had to sell their automobiles, 14 percent have had them repossessed, and at this point we now hear about transit aid being cut.

Five, 30 percent have sought emergency food assistance.

Six, 42 percent have no health insurance; 59 percent have postponed treatment of health problems for health reasons.[4]

When you add to the above litany of human tragedy the fact that less than 25 percent of long-term unemployed, more than six months, people are able to collect unemployment compensation benefits, you begin to understand the magnitude of the personal and societal tragedy we are witnessing.

One dramatic measure of this tragedy is hunger. As a nation we are rightfully donating hundreds of millions of dollars in aid to the starving peoples of Africa. At the same time, the private sector, often led by the religious community, is feeding millions of Americans each week. I am not talking about the tragedy of the homeless, but about the new hungry, the long-term unemployed workers and their families.

In the eight counties that comprise western New York, there were in 1981 about 50 food pantries that fed about 7,000 people. In 1983, the most recent year for which figures are available, over 100 pantries fed 17,000 people in the first 10 months. As unemployment benefits ran out during 1984, the demand has increased. The figures I just received yesterday were too late to put in.

In 1981, there were two dining rooms in Erie County that served 200 people daily. Today there are 10 dining rooms serving between 1,500 to 2,000 people daily—a phenomenal 1,000 percent increase.[5]

---

[2] New York Times, Apr. 30, 1984, "Plight of Unemployed Goes Beyond Figures" by William Serrin.

[3] Telephone interview Dec. 20, 1984 with Harry McKeven, NYS Department of Labor, Buffalo, NY.

[4] Reported in Chicago Tribune, Oct. 21, 1984.

[5] "A State of Emergency: Hunger in the Empire State." Prepared by New York State Committee Against Hunger, January 1985.

Obviously, an extension of the Federal Supplemental Compensation [FSC] Program will not cure the ills described above, but it is a humane Band-Aid that this society must continue to provide.

For people like me, the unemployed worker, and those whose job it is to offer a degree of relief to the unemployed worker—we urge swift passage of an extension of the FSC Program.

Each day I live with the words of an unemployed worker who wrote:

I lost my wife, my apartment and my self-respect. Plans for my three young girls have gone to pieces. We live with my parents with no car, no privacy, no job, no health insurance, no hope.

Please respond to this person. Give him and millions of people like him some small hope that their Government cares. Demonstrate that people are more important than star wars and B-1 bombers and MX missiles; that $600 toilet seats will not be tolerated while thousands of individuals in my community and communities across this country go hungry each day.

We seem politically able to respond to the involuntary nature of the problems of aging. It is long past the time when we should have responded to the painful and involuntary problems of unemployment. At the least, act favorably on H.R. 890.

Again, thank you for the opportunity to be heard on this issue.

Chairman FORD. Thank you very much.

There are one or two questions that I would like to raise at this point. The panel, all the members of the panel have given testimony, but I want to know when we talk about an outreach worker, the Project Assist Dislocated Worker Center or we look at the Unemployment Council, I think a couple of groups have been identified with training or relocating workers. We talked about this with the director of Project Assist Dislocated Workers Center.

Tell me a little bit about it, about the record itself, the history of these centers. Are you successful in relocating those unemployed workers or are they relocated out of town, are they relocating within the same geographic metropolitan area in which they were laid off and became unemployed?

Ms. DEFRIEZE. We are placing approximately 20 to 22 people a month. Most of it has been local up to lately.

When we first started our operation, we had in place funds under CETA and it allowed some relocation. We did have people relocated at that time but small numbers. Then when the JTPA funds became available, and that is what we are working under now, the largest portion—

Chairman FORD. You use the Job Training Partnership Act?

Ms. DEFRIEZE. Yes, we subcontract with our Community College at home.

Chairman FORD. But you are not relocating anyone outside of the area in which you are set up?

Ms. DEFRIEZE. Yes, now that we have faced some severe plant closures, now that workers are realistically realizing that the Farmall IH Plant is gone, now workers are beginning to realize the fact that they need to relocate, and we are seeing an upswing in it. We do have connections to help relocate them in some parts of the country.

However, I feel that in the pockets of high unemployment with no economic development, which seems to be our case, the only logical thing if you are not going to keep people hostage is to speed up the emphasis on relocation. It is very difficult to get the agencies and the Governor's office and people in the community to realize that they have got to let go, too, of these people because they do not want people to leave their community, but it is the only alternative without economic development.

So, therefore, there has been a lack of emphasis on it until lately, and now the people themselves are saying we must have some help in doing it and now it is starting to move.

But as Mr. Campbell mentioned, it is excruciatingly painful for people to move from a community that they grew up in and where their family is there and they know nothing else. But I feel that there are ways in which those of us who are mobile in society can help them to reach out and help them adjust.

Another thing that is troublesome in the relocation aspect that I believe Congress could address is the fact that when a person tries to relocate in another State or another community where there is recovery and jobs are available, the doors are closed to them. Many States with recovery will not accept job applications or do not want people unless they come from within their own State to work there.

It is my feeling that possibly there might be some type of an incentive to a recovering State or an employer in a recovering State if he were to hire a percentage of these people from a depressed pocket of our Nation.

Chairman FORD. You mentioned you have placed about 20 to 22 people per month.

Ms. DEFRIEZE. Per month.

Chairman FORD. Out of the 22 per month, what percentage of those would have exhausted all of the 26 weeks of State unemployment compensation?

Ms. DEFRIEZE. I would say approximately 35 percent.

Chairman FORD. So you would find that 65 percent of those who are placed receive some kind of extended FSC?

Ms. DEFRIEZE. Are still still receiving their unemployment benefits.

Chairman FORD. Beyond the 26 weeks? Sixty-five of those that are placed have already exhausted the 26 weeks of unemployment compensation from the State?

Ms. DEFRIEZE. That is right.

Chairman FORD. And have gone into another program, about 65 percent.

Do you find that true in your area?

Mr. HELLEM. Yes.

Mr. KEMPNER. Yes.

Chairman FORD. You wanted to say something?

Mr. MESSER. Mr. Chairman, before we relocated——

Chairman FORD. I am not speaking of relocating. I am talking about exhausting the 26 weeks of State unemployment. For those who you placed, I think the gentlewoman indicated some 22 people per month are placed in new jobs who have been laid off or out of the workforce.

Mr. MESSER. Approximately.

Chairman FORD. About 65 percent exhausted the 26 State weeks and were in the FSC Program, about 65 percent of those people.

The committee would like to thank the panel for coming, and we will state to you that we will be marking a bill up within the next 10 days on the subcommittee. Hopefully we would be able to take the information we received from this panel and others who testified before the committee and piece a bill together and bring it back before the committee and see what will happen.

Thank you very much.

I understand there might be additional calls for votes. The committee had planned to work through the lunch hour. I know there are those who have traveled here from the State of Pennsylvania and other areas that would like to get back on the road. I am aware of that.

But I would like to recess until 1 o'clock rather than break every 10 or 15 minutes for the next 40 minutes, which will give everyone time to get a sandwich and come back for the afternoon session. We will start promptly at 1 unless there is some reason that the House Rules call us back over for a vote.

The committee will stand in recess until 1 o'clock.

AFTERNOON SESSION

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

I appreciate the witnesses waiting over until the afternoon to testify before this subcommittee.

We will hear now from the National Unemployed Network, Mary Duranko, Wives Action Committee, Johnstown, PA; Thelma Jolly, Cleveland, OH, Council of Unemployed Workers; Keith Brooks, United Committee on Unemployed People, Baltimore, MD, along with Mr. Joe Cummins, who was called up earlier this morning, and I think he was here on Capitol Hill but he could not find a parking space. So we are delighted to invite you and call you up to the witness stand at this point.

Let me get the correct names. Mrs. Jolly.

Mrs. JOLLY. Here.

Chairman FORD. Mary Duranko. We will hear first from you, Mrs. Duranko.

STATEMENT OF MARY DURANKO, PRESIDENT, WIVES ACTION COMMITTEE, INC. FOR UNEMPLOYED, JOHNSTOWN, PA, NATIONAL UNEMPLOYED NETWORK

Mrs. DURANKO. My name is Mary Duranko. I represent the unemployed for the Johnstown area and also across the State of Pennsylvania. We feel that Congress is ceasing the extension of the unemployment benefits which was decided upon untrue employment figures.

The fact is the unemployment statistics are just as severe now as they were 3 years ago. Men and women working 18 hours a week at minimum wages are considered back in the working force.

Being intelligent leaders, you must realize a person cannot raise a family on this type of income, but yet to make Congress look

good and to make people feel that you are doing your job, you will use unreal statistics.

A person getting benefits for 26 weeks has the opportunity to keep up with his bills. The extension of the 18 weeks is the difference between survival and the ultimate end by going on welfare. The extra 18 weeks would give a family the chance to decide their future. The extension of the extra 18 weeks is the right a person has earned and a difference of being forced into becoming a charity case of the State.

There has been more than enough families destroyed, homes lost and lives lost. It is time for you as our leaders to prevent more of this tragedy.

We are asking you to believe the people that are present here that work with the unemployed and know the truth for we deal with the true unemployment rate. Please vote to keep the extension of the 18 weeks benefits and give the families that are fortunate enough to collect unemployment a chance to have time to decide their own future before you as leaders force them to give up their homes and become a charity case of the State.

This is your opportunity to deal with the truth and prove your leadership by being honest with yourself and being loyal to the people who voted you into office.

The unemployment rate has not changed in the Johnstown area to the severe extent that the Congress has stated it has, and I feel that there will be more people committing suicide in the Johnstown area and drug abuse than there was years ago.

Thank you.

Chairman FORD. Thank you very much.

Mrs. Jolly.

STATEMENT OF THELMA JOLLY, CLEVELAND (OH) COUNCIL OF UNEMPLOYED WORKERS, NATIONAL UNEMPLOYED NETWORK

Mrs. JOLLY. Mr. Chairman, members of the subcommittee, and distinguished guests, my name is Thelma Jolly of the Cleveland Council of Unemployed Workers.

I first became unemployed in November 1979, after 14 years of service at the General Electric Co. My job there for 7 years was as a flashing machine operator. I also formed and inspected lamps used to illuminate hospital operating areas.

Before my employment at GE, I had business skills, typing and keypunch. After being laid off for some time, I sought employment elsewhere. I worked for 1 year at a research laboratory, and was laid off again. I entered a training program to upgrade the skill I had, but the budget was cut, and the minimum wage I was receiving for this was dropped. The funding was essential to maintain support of my family. At times I have held two jobs at minimum wage to maintain an income and to get out of the unemployment lines. After three layoffs in succession, all of my savings have been exhausted. My GE stock/pension, which was an investment toward my retirement, I have had to sell to help maintain my children's education. They are in advance classes in math and science. But even this is being threatened because of the extra fees required. People receiving unemployment are not eligible for most relief pro-

grams, and to become eligible you have to liquidate any assets of value that you have: furniture, clothing, cars. The only assistance you can get is food stamps, but you cannot buy soap or cleaning materials with these.

For 25 years I have worked. Now I am facing foreclosure and eviction and the elimination of all that I have worked for. Twenty-five years of hard work and labor gone.

I was laid off from my last job in October of 1984. Once again I am looking for work. The extension of unemployment benefits will offer time for me to survive until I find another job.

The Cleveland Council of Unemployed Workers has been working hard for 2 years to extend and improve the Federal unemployment benefits.

Ohio lost 13 weeks of extended benefits in May 1983 when unemployment in Ohio was still above 10 percent. There are more people unemployed in Ohio right now, 450,000, than there were during the worst of the 1975–1976 recession when there were 390,000 unemployed. But, at that time, with fewer people unemployed, Ohioans received up to 65 weeks of benefits. Today, we only get up to 38 weeks. If the FSC legislation is allowed to expire March 31, we will only receive 26 weeks.

The unemployment compensation system was hard fought for and won by our parents and grandparents to provide some protection for working people who, through no fault of their own, were put out of work. Yet, less than 22 percent of Ohioans officially listed as unemployed are receiving benefits.

The Cleveland Council of Unemployed Workers calls for an extension of unemployment benefits so people can survive until they find a job.

The Federal extension program must be improved to make it responsive to the needs of the workers thrown out of their jobs. Cleveland Council of Unemployed Workers calls for the following changes:

One, the total unemployed rate, rather than the insured unemployed rate, should be used to determine the trigger for extension of benefits.

Two, benefits should be extended at the national, State or substate level during periods of high unemployment above 3 percent.

Three, the unemployment compensation system should be a single Federal program rather than an unfair jigsaw of 50 different State laws.

Four, unemployment compensation debts by States with high levels of unemployment should be waived by the Federal Government.

Five, "reachback" benefits to those who have already exhausted their benefits should be included in an extension.

Six, the extended benefit program should be reinstated with more realistic and fair trigger formulas.

Seven, unemployment benefits should not be taxed.

The Cleveland Council of Unemployed Workers believes that the American working people should not bear the burden of plant closings and management decisions that result in such monumental upheavals in our economy.

The Federal extension of unemployment benefits must be continued, at the very minimum. We support House Bill 890. In addition, these important changes in the unemployment system must also be made.

The very best solution would be a massive jobs program, such as the WPA during the depression. But until there are enough jobs for our people to be able to support their families and contribute to our community, we must be able to survive with unemployment compensation.

Thank you for the opportunity to testify before you today.

Chairman FORD. Thank you very much.

Mr. Cummins.

STATEMENT OF JOSEPH G. CUMMINS, CHAIRPERSON, HOTLINE COMMITTEE OF THE VENANGO COUNTY (PA) UNEMPLOYED COUNCIL

Mr. CUMMINS. My name is Joseph G. Cummins, chairperson of the Hotline Committee of the Venango County Unemployed Council of Venango County in the Commonwealth of Pennsylvania. I live at 210½ East 4th Street, Oil City, PA 16301, in the county of Venango, which is located in the northwestern region of the Commonwealth of Pennsylvania. You probably know of us as the 23d Congressional District.

Do any of you know where Venango County is? If not, that is part of the problem.

The testimony I give today is in behalf of upwards to 1,800 families of Venango County who, through no fault of their own, will be affected if the FSC extension is not granted.

I speak with the moral authority of having lived through this recovery so far. If you are wondering what I will gain out of this FSC extension, I will receive no moneys, but I will know that the 1,800 families in Venango County will have at least 14 more weeks to live and prepare for the recovery to happen in Venango County, Pennsylvania.

The extension of 14 weeks is critical and smacks of political genocide if not granted. The only difference is the gas is turned off instead of on.

So, in future years, you, our representatives who we have elected are to serve us and, in point of fact, working for us, cannot say we did not know.

This is a little insight into the plight of the 1,800 families, our fellow Americans who, through no fault of their own at this point in their lives, are dependent on for a substandard livelihood the unemployment compensation benefits.

Being on benefits is substandard. But a quantum leap over our dehumanizing welfare system, which is neither fair nor well, and misses the dictionary definition of "welfare," which is "a condition of health, happiness, prosperity, and of well-being," totally by American standards and only showed some merit when compared to how many of the nations of our world, some of which our Government—not with my blessing—support, treat their unemployed, underemployed, fixed income, and welfare recipients—all our brothers.

How you treat "the least of mine is how you are treating me," says God.

Venango County, with a population of 65,000, has suffered a 40 percent loss in jobs since 1981. Some 2,900 families are not carried on any rosters anywhere, for example, the unemployment rolls—Insured Unemployment Rate [IUR]. We have, for example, the Chicago Pneumatic Tool Co. reduced its work force from 1,800 families to 52 families, the Joy Manufacturing Co. from 2,300 families to 900 families, the Glass Plant which closed completely, some 500 families. A complete list would fill a small volume and take more time than allotted at these hearings. But, if you wish, the complete list can be mailed to each of you.

In my capacity as a volunteer hotline chairperson for the Venango County Unemployed Council, I see on a daily basis this scenario played over and over.

A family, through no fault of their own, is laid off or terminated from a plant at which he has spent at least 10 years, or probably more, usually since he graduated from high school—the entire span of his working life, except for a tour of duty for his country in some branch of the service. This time has been spent in one plant in one area, Venango County. He did not make a foolish or uninformed choice to work where he did. These were the best places to work, had the most livable wages and benefits. Note: All the benefits he paid for, although he never actually handled the moneys, but at contract time, he allotted some portion of the company's package for these benefits. So, in reality, he paid for them. Lest you be confused by this, companies like to take credit for benefits as something they have done for the workers. In reality, this was not and is not the truth.

To continue, these families are buying a home, about to lose it if they do not pay their mortgage, own a vehicle—a necessity in a spread-out area such as ours—with no public transportation in or to most of our cities, towns, boroughs, townships or villages, it too may be lost to them.

So this extension is vital to them, the 1,800 families of Venango County. I know you do not like the use of the term "families" because that is reality, and in this "Alice in Wonderland," Washington, DC, reality was the first budget cut made.

Families are what are affected, not just the person holding the job. Remember, when gas was turned on in Germany, families died. When it is turned off in the U.S.A. families are cold.

The families in these cases cannot sell their homes and move on like in days of old because this is a national problem. Even though the publicized percentages of unemployment are down, this is not the reality of the conditions in America. Because, in 1985, the truth might just point out "The King is naked."

Past history, the Vietnam war in particular, lessons should not be forgotten. You cannot lie to the American people for too long and get away with it. Remember what Lincoln said, "You can fool some of the people some of the time but you cannot fool all of the people all of the time." Your time is up.

This extension is necessary and crucial to the 1,800 families of Venango County, coupled with a reachback to help those who have been dropped off the rolls already. Reform of the unemployment

compensation system is also needed. But let us not cloud the issue. No. 1 is the extension with a reachback. This is the reality. The reform is just to talk to make persons feel good and appear to want to do something without doing anything but look good themselves, and/or some political party or some branch of the bureaucracy of the government.

There are many plans for reform. Some, all, or a combination of will improve the system. Dealing with the truth will help the most. In other words, the total unemployment rate [TUR], not the insured employment rate [IUR], which is used now and conveniently not mentioned in the news media. Lies may get you what you want but they do not solve problems.

The use of 1984-isms like dislocated industrial workers, discouraged workers, or disenfranchised workers may ease the conscience of the speaker and/or the hearer like the multinational bankers, lawyers, businesses, and those politicians who serve their needs and goals, not those of our Constitution and Bill of Rights. But you are not fooling the American worker much less the American people. The kids tried to awaken you in the sixties; the civil rights movement showed you that Americans can and will get the job done. Vietnam's lesson, "Don't lie to use," because lies lessen the will to the will to support any national endeavor. There is a mandate in the land to keep inflation down, interest rates down, balance the budget, and reduce the deficit. But that mandate does not say "at the expense of the poor," or "from the jobs of the American workers." The poor management and judgment of the banks, businesses, lawyers and Government got us here. It will take the effort of all to get us out of here.

Well, like the general who said "Nuts" to the Germans, I say nuts. Enough is enough. It is time that big Government and all that goes with it, big military and all that goes with it, big business and all that goes with it, big banks and all that goes with them, big multinational companies and all that goes with them make their concessions. We want concessions from them. We have given, we the people of the United States and Venango County in particular, all the concessions that we can or will. If you do not cut the military budget, then we the people of the United States will have to call a constitutional convention and restaff the whole Government.

Thank you for your time and attention. But, as your employer, I do not get a chance to speak to you too often. You will continue to do your job the way you have until told differently, I know. So I am telling you. If this testimony sounds like a chewing out, it was. If you do not believe me, get your grubby clothes on and mix with the people, not the back-slapping special interest groups. Find out what America is really like and how she is really hurting. Then, after you have walked in my shoes, the unemployed, underemployed, fixed income, and welfare recipients, and you can still play the deadly numbers games that fancy lawyers, accountants and statisticians play, then God be with you. "How you treat the least of mine is how you treat me" says, not said, God.

Thank you.

Chairman FORD. Thank you very much, Mr. Cummins, and the other two witnesses on the panel.

Mrs. Jolly, you indicated you were laid off from GE, I guess a couple of years ago, and you also found employment as a technician, lab technician. You held that employment for about 1 year. You have been unemployed since October of 1984.

Have you been seeking employment since that time?

Mrs. JOLLY. Yes, I have. Since the time I was laid off from General Electric in 1979, I was told I only had a certain amount of unemployment benefits. So I worked when I could so that I would not have to be on unemployment the whole time, you know, to just—what I am saying is I just did not sit there and collect the full amount of my benefits. I tried to work awhile, and then whenever I just could not find anything, or if I could not find anything that was substantial to support me, then I would use it.

Chairman FORD. Immediately after you were laid off from GE and started drawing your unemployment compensation benefits, how long did it take you to go back out to start seeking new employment, or did you feel you would be called back by GE?

Mrs. JOLLY. When I first was laid off from GE, first of all, it took 6 weeks before I was able to collect my first benefit money.

Chairman FORD. Were you under the impression that GE might call you back at that time?

Mrs. JOLLY. No. When I was laid off, it was for an indefinite layoff.

Chairman FORD. So the 6-week period while you were waiting for your unemployment compensation benefits, were you seeking other employment at that time?

Mrs. JOLLY. Yes. That is why I went out and looked for another job.

Chairman FORD. Before you filed for the unemployment compensation?

Mrs. JOLLY. No. I went and filed right away because I was instructed to do that by my employer. And after I filed and I waited, I guess about a month, then I started—well, I started to look for another job. But I decided I would have to go into another field of work, you know, after a month.

Chairman FORD. Were you retrained for another field, another skill?

Mrs. JOLLY. Yes. When I found the employment, then that employer trained me for the job.

Chairman FORD. How long was it from the time you left GE and being placed on this new job as a lab technician?

Mrs. JOLLY. Six months.

Chairman FORD. It was 6 months, you drew unemployment compensation for the 6-month period, is that correct?

Mrs. JOLLY. Yes.

Chairman FORD. Now, you were laid off in October 1984 from this medical health delivery system or whatever as a lab technician, right? Whatever the company was, you were laid off in October 1984, is that correct?

Mrs. JOLLY. No. It was in 1979 that I was laid off from GE. It was in 1980 that I found employment, and then in 1981 I was laid off from that job.

Chairman FORD. So you have not worked since 1981?

Mrs. JOLLY. No. I did work. I was laid off from General Electric. I collected unemployment for 6 months. I found another job. I worked for a year. I was laid off after that year.

Chairman FORD. How long were you off from the second job?

Mrs. JOLLY. About 4 months. And then I found another job.

Chairman FORD. Were you drawing unemployment compensation during that 4-month period?

Mrs. JOLLY. Yes.

Chairman FORD. Were you seeking another job during the 4-month period?

Mrs. JOLLY. Yes.

Chairman FORD. How soon was it that you started seeking and looking and searching for the job?

Mrs. JOLLY. As soon as you were laid off. It is a requirement in order to collect your unemployment benefits, you must first go and apply for the benefits.

Chairman FORD. At this time you were drawing State unemployment benefits or are you drawing FSC?

Mrs. JOLLY. State. I am not really sure. I just know I draw my unemployment. I was not concerned too much as far as whether it was the State or, you know—it was just a benefit and I went and got. My concern was I had a job. The benefit was something I had to accept, you know, but I wanted a job.

Chairman FORD. Had those unemployment compensation benefits not been available for you on your second job and third job, do you think you would have stayed out in the field searching for that job or you would have stepped it up somewhat in looking and searching for a job if you had not had those unemployment compensation benefits available to you?

Mrs. JOLLY. As to my testimony, I at one time was working two jobs, you understand. So I——

Chairman FORD. But had you exhausted all your unemployment benefits at that point?

Mrs. JOLLY. No. I exhausted my benefits for my first original layoff in 1983. And after I did some job sharing work and some training work, I was able to make a new claim. If you worked 20 weeks, then you can start a new claim. So I was able to do some work through volunteering, you know, so I was able to get a new claim. So now that is hopefully——

Chairman FORD. You worked up to October 1984 on this third job then, is that correct?

Mrs. JOLLY. Pardon?

Chairman FORD. You worked on the third job or the fourth job until October 1984?

Mrs. JOLLY. Yes. I think you kind of are missing the point. I did not work like, say, for a year. I worked for a year on my last job, OK. That was in 1981. Between 1981 and 1984, I have worked jobs like for 6 months and collected unemployment for maybe 2 months, and then maybe I could find another job for 6 or 7 months or 2 months, whatever I could find, to help myself, going back and forth. But I have been fluctuating between jobs and unemployment.

Chairman FORD. Are you presently receiving unemployment compensation?

Mrs. JOLLY. Yes, I am.

Chairman FORD. Are you receiving State or a Federal benefit, do you know?

Mrs. JOLLY. State.

Chairman FORD. All right.

Mr. Cummins.

Mr. CUMMINS. Yes, sir.

Chairman FORD. I listened to your testimony. You were pretty hard on the Congress here saying we guys do not want to respond. Some of us are trying to respond.

Mr. CUMMINS. I appreciate the response of those who are trying. It is the ones who are not that I am trying to get after.

Chairman FORD. This subcommittee, and I do not have to speak for the other members of the subcommittee, but we are trying very hard to put some legislation in motion to report out of this subcommittee. We have heard from the administration. We have heard from labor. We have heard from the business community, and we are trying to hear from those who have been affected by it.

By no means are we trying to say we know it is easy or that we are trying to shy away from the responsibility of providing unemployment compensation or some type of income for those who are unemployed through no fault of their own.

We have been in the 99th Congress for some 16 weeks. In some of those weeks we have been organizing the Congress, and we have been talking with Mr. Campbell, who is the ranking minority Member of the committee, as well as the members of the majority side of the committee, especially Mr. Pease, who has already introduced legislation along with Mr. Stark as well as some other Members of the House. We are trying to address this particular problem.

Mr. CUMMINS. I guess the problem is that does not get the coverage. What gets the coverage is a figure that can go on the front page of our local paper that says jobs are up and unemployment is down when, in reality, if you walk down any street there is a house for sale that you know a family is trying to move to, find a new job some place else, and you cannot talk to anybody who does not know someone who is unemployed.

So part of it when I went after the truth of it, that is part of the problem. It is clouded under this—well, the TV, all of it, smacks that everything is all right, and that is what some of the frustration is that is out there.

Chairman FORD. We know that things are not all right. There are some of us, we understand that, and we are trying to get the support that will be needed in the Congress to pass some legislation. That is not to say we have already identified the provisions within Mr. Stark and Mr. Pease's bill or other bills that might be before the committee. We are looking for some answers, and that is why the three of you and other witnesses are here today, and those witnesses who testified in the sessions last week.

It is for the purpose of trying to bring to our attention the things that we should include in legislation that would, in fact, respond to some of those critical needs of the unemployed.

Mr. CUMMINS. This is critical. The extension is critical in our area because it would mean upwards of $5 million for our area just in paying bills and——

Chairman FORD. What happens after the FSC benefits are all exhausted to those same people you are talking about in your county?

Mr. CUMMINS. They end up taking minimum wage jobs where they have no benefits.

Chairman FORD. What will they do in the meantime while receiving the benefits? Are they going to be seeking employment and be in retraining programs?

Mr. CUMMINS. I will cite my example. When I was laid off from Joy Manufacturing, which was one of the prime employers in the area, when you applied for a job in the area and you had on your résumé you had worked at Joy, they did not even want to consider you because Joy was one of the better paying places and they did not want to bother to train you and take the possibility of losing you.

They hold a string out to you. When you have an area that is dependent on three or four employers, major employers, they kind of got you over a barrel. If you work at one of those three places and you try to go any place else, you are just not considered.

So I mean what they are doing is they are surviving. They are cutting wood, plowing driveways. The people are surviving, but for these families it might just get them through the winter, pay their gas bills, and it might help them in enough situations where they could make a more desperate move.

Our job training program in the area is still training machinists and welders, which we have no need for in the area. It sounds real nice to have those programs in place, but it does not serve the need. If we are going to a service industry, it is sure not addressing those needs.

Chairman FORD. Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman.

Mr. Cummins, who is your Congressman, do you know?

Mr. CUMMINS. Congressman Clinger. He has introduced some legislation.

Mr. PEASE. You should know Mr. Clinger is a cosponsor of the legislation that I introduced to reform the system, and he is also cochairman of a task force in the Northeast-Midwest Coalition on Unemployment Insurance.

You are pretty hard on the Congress, as Mr. Ford has said, and I think that is understandable. Does that mean that you think the President is a good guy?

Mr. CUMMINS. No; but you do not get a chance to talk to him so I guess you talk to those that you can. These are directed at him. If somebody wants to hand it to him, these are directed to him.

Chairman FORD. Then next time call his name. [Laughter.]

Mr. PEASE. I think Mr. Ford and I both understand your frustration, and we are very happy to receive your message and complaints on behalf of our colleagues in the Congress.

We are probably a little sensitive because the last two times that FSC has been extended, it has been extended as the result of the work of this subcommittee over the objections of the President and his administration.

Mr. CUMMINS. It is good to know that we have friends.

Mr. PEASE. If we get it extended this time, it will all be over the objections of the President and his administration, and I certainly hope that we will.

I would be sort of curious to know, for all three of you, if you have any thoughts about this. I have a lot of unemployment in my area. I have in Lorain, OH, unemployed steelworkers and autoworkers and so on. And obviously the people who are unemployed are suffering a great deal. Yet President Reagan, who essentially said you are on your own when you are unemployed, that Government should not help you out, got reelected by a huge margin last November.

Do you run into the attitude in your own communities where people who have jobs are unsympathetic to those who do not have jobs?

Mr. CUMMINS. A lot of people have—there is a stigma that goes with unemployment. First of all, the people who are working very well, know that they might be the next unemployed person. So I think it is just like seeing your buddy killed in action. At first you are glad it is not you, and then you are sorry he got it.

So I think there is a little bit of that fear. A part of the problem is that in our area, as we are used to, our area in particular, when one plant was up you could work there. If one was down, they had enough different product lines that you could move around with the plant.

So a lot of us—like at Joy, I held on for 2 years, to keep my name on the rolls, so I could get called back, and it was the carrot always held out, that there was a possibility, and that happens. Part of it is my taking on the awareness that it is not going to happen.

We are brought up believing that there is a great big safety net up there that is going to catch you, and especially a generation that was after World War II.

Mrs. DURANKO. In our town, in Johnstown, the brother unit and the family unit has changed. It is now a survival game. If you have got a job, you are going to fight to keep it, regardless of if it was your brother's job, you father's job. It is now yours, and friendship and loyalty no longer count. You are going to work to support your family, and that is gone, and we blame Congress for that.

Chairman FORD. You do not blame the President?

Mrs. DURANKO. In my opinion, he does not exist. [Laughter.]

Mr. PEASE. Thank you very much.

One last question.

Do any of the three of you have any experience with either the retraining programs that are available under Federal law, either the Job Training Partnership Act or Trade Adjustment Systems retraining?

Mrs. DURANKO. In my opinion, on that we have been having that in the Johnstown area. All that is playing checkers. You are putting one person off the street into the job training program. He is being hired at minimum wage, and another person is losing that job at full wage, and it is a checkerboard game, and the only one winning is the employer.

Mrs. JOLLY. I was in a job training program, but the reason for getting into the job training program I was in, was to give me—I

had to support my family, but I wanted the training, too, so this was a funded program, and I accepted it. But then when the budget was cut, I had to stop the training program, because I had to have the funds.

So I am half trained, and what can you do with a half trained person, you know?

Mr. CUMMINS. Mine is like I said about training machinists and welders. They bring the people into these training programs, and they are very positive and upbeat. You are going to get a job at the end of this. Of course, in hopes of having a job, you do not ask the question for sure if you are going to get a job.

Then at the end of the training, usually at the last 2 weeks, suddenly you become a nonperson. They do not care whether you turn up to class. They do not care if you take part in the training, because they are looking forward to the next class coming in.

So I guess from my point of view, I know very few people who have gotten jobs out of it. Maybe one or two I could think of right offhand.

Mr. PEASE. Thank you very much.

Thank you, Mr. Chairman.

Chairman FORD. Thank you very much.

Mr. John Hannigan, director, Bureau for Social Programs and Community Action; Rev. Richard Wood, director of governmental concerns, Illinois Conference of Churches; Loudon Seth, Ecumenical Great Lakes/Appalachian Project on the Economic Crisis.

We will recognize Mr. Hannigan first. We will recognize the other witnesses in the order in which you were named by the Chair.

We are delighted to have the three of you before us. And we are delighted to have you before the committee today, and we look forward to hearing from you.

STATEMENT OF JOHN HANNIGAN, DIRECTOR, BUREAU FOR SOCIAL PROGRAMS AND COMMUNITY ACTION, DIOCESE OF PITTSBURGH

Mr. HANNIGAN. Thank you very much. I promise not to pillory the Congress.

I am the director for the Bureau for Social Programs and Community Action of the Pittsburgh Catholic Diocese, which includes six southwest Pennsylvania counties bordering on eastern Ohio, and the panhandle of West Virginia, areas that also have been heavily impacted by plant closings and capital flight.

While the immediate focus of your hearings is the extension of the FSC Program, the need for this extension, I feel, has to be seen in light of specific regional unemployment experience rates, plant closings, welfare legislation, job training, and job creation initiatives and other variables.

Southwestern Pennsylvania is still in poor economic condition in spite of the national recovery, with about 200,000 unemployed and underemployed workers, and an official December 1984 unemployment rate of 9.1 seasonably adjusted, approximately two points worse than the rest of the Nation. The official rate is held to an approximately two point spread because many thousands of would-

be job holders have become discouraged and stopped looking, so they no longer are counted as unemployed. When you count discouraged workers and part-time workers the unemployment rate in our area is probably in excess of 20 percent.

In our area, massive layoffs and plant closings come relatively suddenly at an unanticipated scale, inflicting social and economic havoc on individuals and community alike. Local government, already in trouble because of declining revenues and increasing costs of providing basic services, find they lose additional revenues from earned income and real estate levies. Increasing numbers of persons are unable to continue mortgage payments and meet utility and food costs.

A recent study of the closing of manufacturing plants in Pittsburgh and surrounding industrial communities conducted by the University of Pittsburgh's Center for Social and Urban Research found that 52 manufacturing plants permanently closed in the 10 county area of southwestern Pennsylvania between January 1, 1982 and July 1, 1984. There were 13,280 persons who lost their jobs. Another 52 manufacturing plants laid off 22,265 persons in the same 30-month period. For the 35,545 persons affected, the availability of FSC benefits is crucial to their economic survival.

An oft-made assumption, and one that has been the subject of this hearing, is the fact that it is presumed that welfare benefits are always available to those who have exhausted their unemployment insurance.

In the Commonwealth of Pennsylvania that has not been true for the able bodied between the ages of 18 and 45.

Under the provisions of Act 75, those individuals ages 18 to 45, who have exhausted their unemployment benefits and are declared job ready by the Pennsylvania Department of Welfare, are eligible to receive but 90 days of financial support in any 12-month period. Increasing numbers of these are resorting to shelters for the homeless when their GA benefits cease.

Pennsylvania Act 75 changed the General Assistance payment criteria in the Commonwealth following enactment in March 1982. In our State, General Assistance is a fully State-funded program for people in need in Pennsylvania. It was established during the Depression, and remained the program of last resort in Pennsylvania until the passage of Act 75.

The GA caseload consists of people in need, without income, who are not eligible for any federally-funded program. Over 90 percent of those on GA caseload at any one time are single people. Many of these have exhausted their unemployment benefits, but have not worked for sufficient months in the past 8 years—that is, they have not worked within an 8-year period—to qualify for General Assistance.

Under the provisions of the act, able bodied persons between the ages of 18 and 45 are limited to 90 days of cash assistance in each 12-month period for which they are in need. For the other 9 months of the year, they are left to their own devices. In the first year of implementation of the act, 68,000 persons statewide were stricken from the General Assistance rolls, 15,000 of these persons lived in Allegheny County, the largest urban county in the diocese.

In June 1984, the Commonwealth of Pennsylvania's Department of Public Welfare released a study of Act 75 entitled "The Impact of Welfare Reform." That study's data indicates that from the implementation of Act 75 in January 1983 until June 1984, 28,628 former welfare recipients across the State had used emergency shelter, food and clothing programs in order to stay alive.

Providers of shelter to the homeless in Allegheny County are well aware of this fact. According to a study conducted by ACTION Housing, Inc., to evaluate the use of funds from the State's Social Services Block Grant Program, in the winter of 1983-1984, 1,311 persons were served by shelters in Allegheny County.

Of this total, 482 sought shelter because their General Assistance benefits had been terminated. It should be noted that this was persons served with State funds, not all persons served by the shelters.

In one Pittsburgh neighborhood, East Liberty, the House of the Good Samaritan served 250 different men from December 5, 1983 to June 1984. Half of these men, that is, 125 of these men, ages 27 to 31 had been terminated from the general assistance rolls.

From these facts, I think it can be concluded that the passage of Act 75, and the termination of cash assistance to those determined by the Department of Public Welfare to be transitionally needy, that is, available for work, and, therefore, only able to receive up to 90 days of benefits within a given 12-month period, has resulted in an increase in the number of homeless in the city of Pittsburgh and in Allegheny County. Failure to extend FSC can only hasten the time when persons find themselves homeless and without resources.

Throughout the State, religious groups and local municipalities have been sheltering thousands of homeless transitionally needy persons at an average cost of $10 to $15 per night. Besides being forced to spend $300 to $450 of scarce resources per month on sheltering each individual who used to receive $172 per month from the State, these programs have the potential to become warehouses for the poor.

The problems of structural unemployment and the virtual disappearance of unskilled entry level positions in this economy have created a very tight job market across the State. In this economic climate, the assumption that any individual with no work experience, no job skills, and a minimal education and literacy level, can find and hold a job entirely on his/her own, is blatantly inaccurate.

Many discouraged workers are not being considered for new jobs opening up on the economy. These are people who, while appearing to have the physical health necessary to get a job, in actuality lack the social and communication skills, job experience, education and background to seek or hold long-term, self-supporting employment. To achieve self-sufficiency, they must have interventions in the form of education, job readiness training and job training to overcome current barriers to their employment.

The question then becomes what is a reasonable set of educational, job readiness training and job training sequence that can be structured to meet the needs of the presently unemployed?

The experience of the administrators of the Workers in Transition Program at Allegheny Community College a program totally funded by the county of Allegheny out of their own revenues, has

led them to conclude that: one, knowledge level requirements for jobs are higher than 10 years ago; two, demands for specific skills of the jobs of the future are impossible to forecast.

They find that in their work with employers they cannot get employers to tell them specifically what it is they need from future employees.

Based on that judgment, it seems there is a need for a complete restructuring of the high school and technical school approach to the preparation of persons for the work force. The high tech requirements of present and foreseeable job slots cannot be adequately met with present training sequences. Such change will require planning and cooperation between appropriate levels of private and public sector education and training entities.

In addition to meeting the immediate material needs of the unemployed, and providing job training opportunities, we feel the Government must provide the planning and funding ingredients necessary to successful job creation initiatives. This is really a question of national policy planning. I could elaborate this point at length, and will be glad to in the question period, but in the interest of time, I am not going to elaborate now.

Realizing the foregoing present intermediate and long range possibilities and that persons experiencing persistent employment must be provided for now, I strongly urge that:

FSC be reenacted through passage of H.R. 890. H.R. 890 should be amended to include a reachback provision for those persons who began to receive FSC benefits on October 1, 1984 or thereafter.

For the longer term, I suggest that: the TUR is not sufficiently inclusive. There is a need to factor in discouraged workers and part time workers to more realistically reflect the unemployment rate in the country.

As I said in earlier portions of my testimony, we feel the real unemployment rate in our area is in excess of 20 percent.

We also feel there should be permanent FSC authorization, with sufficient weeks of support to assure that the unemployed can meet their basic minimum survival needs.

Short of a fully Federal, nationally uniform system, uniform minimum numbers of State weeks and weekly benefit amounts must be established.

I think we can all agree, from the foregoing testimony of the unemployed, and from your own experiences back home, that unemployment represents a vast and tragic waste of our human and material resources. The present level of joblessness is of serious concern here, and certainly across the Nation.

I commend you gentlemen for your past work in assuring FSC extensions. I am aware of that.

As much of the Nation recovers from recession, there are still pockets of high unemployment, where men and women are denied job opportunities. Until the necessary development opens up new employment opportunities for all able bodied workers, Government has the responsibility to support them.

We cannot resign ourselves to the human and economic waste implied in current rates of unemployment. As a society, we cannot accept the notion that some will have jobs and income, while others are told to wait a few years, until high tech devlops enough

of those jobs, or until other changes in the economy result in a great number of jobs available.

The Catholic Church's position is that our Nation's economic policy must reflect the broad values of social justice and human rights. Decisions about the Federal budget, the extent of coverage of unemployment benefits, as well as the availability of services to children, the aging, the disabled, are moral as well as economic decisions. These decisions ultimately have to do with the fundamental dignity and the basic rights of human persons. They reflect how well the economy is serving human needs, and how well the Government is serving the common good.

Any economic policy which tolerates pervasive unemployment is clearly unacceptable. Such a policy violates a most basic principle of the dignity and priority of human labor and of the right to meaningful, gainful employment.

As the Catholic Bishops in the United States noted in the first draft of their Pastoral Letter on Catholic Social Teaching and the U.S. Economy, "The Nation must take up the task of framing a new national consensus that all persons have rights in the economic sphere and that society has a moral obligation to take the necessary steps to ensure that no one among us is hungry, homeless, unemployed, or otherwise denied that is necessary to live with dignity."

Mr. PEASE [presiding]. Thank you, Mr. Hannigan.

We will hear next from Rev. Richard Wood, director of governmental concerns, Illinois Conference of Churches.

Reverend WOOD.

STATEMENT OF REV. RICHARD WOOD, DIRECTOR OF THE ILLINOIS CONSORTIUM ON GOVERNMENTAL CONCERNS, ILLINOIS CONFERENCE OF CHURCHES, ON BEHALF OF THE NATIONAL COUNCIL OF CHURCHES, DIVISION OF CHURCH AND SOCIETY, HEALTH AND WELFARE WORKING GROUP

Reverend WOOD. Mr. Chairman and members of the committee, I am Rev. Richard R. Wood, director of the Illinois Consortium on Governmental Concerns of the Illinois Conference of Churches. The Conference of Churches is a statewide ecumenical body and the Consortium is its public policy program and is composed of representatives from 24 Protestant and Roman Catholic regional religious bodies in the State.

I appear before you today on behalf of the Health and Welfare Working Group of the National Council of Churches. The Health and Welfare Working Group has designated income maintenance as one of its top priority concerns, along with the closely related issues of full employment, health care, drug abuse and alcoholism.

We are grateful for the opportunity to testify on the issue of extending and reforming the Federal Supplemental Compensation Program. My remarks will address the need for continuing this program.

As my written testimony indicates, the National Council of Churches has a long history of addressing the issue.

The National Council of Churches supports the extension of the Federal Supplemental Compensation Program and proposals to

reform the Permanent Extended Benefit and FSC Programs. We recognize that unemployment compensation is a stopgap program which provides only temporary help; but for many it means the difference between getting by and destitution. We know that the real solution to the problems of those who would be hurt the most by the expiration of FSC is for them to get jobs. The National Council of Churches has a long record of support for full employment, and we will continue to support job creation, training and retraining programs, but it is a fact of life that such programs as now exist are already inadequate to meet current needs and are slated for reduction or elimination under the administration's fiscal year 1986 budget proposal. Even if Congress should enact a comprehensive employment program this spring, it could not be implemented in time to help the people who have been unemployed for several months and whose benefits are expiring now. They need unemployment compensation.

In Illinois, where I live and work, the recession has hit very hard and its effects are keenly felt. The director of the State's Bureau of the Budget has said that, compared to the rest of the Nation, Illinois experienced recession more severely, stays in them longer, and never again attains its prior level of productivity. The statistics bear that out. Between the fourth quarter of 1979 and the first quarter of 1983 the jobs lost in various industries were as follows: mining, 7,590 jobs lost; construction, 43,490 jobs lost; manufacturing, 291,870 jobs lost; transportation, 24,560 jobs lost; and trade, 63,560 jobs lost.

From the first quarter of 1983 through the third quarter of 1984, transportation, trade and mining showed slight improvements, but construction lost 4,620 more jobs and manufacturing another 48,740. These figures illustrate the long-term nature of unemployment in Illinois, and I will have copies for the record.

Also in testimony before the Illinois Economic and Fiscal Commission, Herb E. Neill, Jr., vice president of the Investment Department of Harris Trust & Savings Bank, said:

"Recovery in Illinois and the Illinois economy has been trailing that of the Nation."

At the same hearing the chairperson of the commission said, "It is a miracle we have any growth in Illinois. It is not getting any better. It is not getting any worse. It is clear we can not build any future position based on growth."

These legislators, economically conservative people, also observed that the only cuts in the Federal budget which would not hurt Illinois would be cuts in defense.

This will give you some idea of the magnitude of our unemployment problem in Illinois. And yet current programs offer little help to the jobless. In August 1984, only 28.3 percent of our unemployed received unemployment compensation even though our jobless rate, at 8.6 percent exceeded the national rate, 7.5 percent, by more than one full percentage point. Our January rate continues at 8.6 percent. The real figure, I am told, is somewhere around 15.5 percent. And Illinois is not unique. I am in regular contact with ecumenical staff in most States, and many of their areas face the same problems.

The religious community has a special role to play and that is ministering to the human and spiritual needs of people, as well as being concerned about their physical well-being. In times of economic crisis, their needs can become overwhelming.

The National Council of Churches is one of six voluntary organizations which serve on the Emergency Food and Shelter National Board, created by Congress in Public Law 98-8 to assist victims of the recession. In three rounds of funding, that program has been charged with distributing $160 million in Federal funds through private voluntary organizations to house and feed people in desperate need. Illinois has received $23,209,500 for which we are deeply thankful. These funds have helped churches and other concerned organizations to carry a staggering load; and yet, in honesty, I have to say that much of the need has been untouched.

Though we want desperately to address the basic human needs of all the impoverished, our resources are simply not adequate. We were not able to care for all who sought our help before the recession, and now we are seeing massive increases in the numbers of individuals and families who come to us for food, housing, medical care, clothing, and counseling. Families are losing their homes, having their utilities shut off, and delaying crucial medical care, all because they have no money to meet even these basic subsistence needs.

In Illinois, most churches are responding to this crisis situation through food pantries. For example, in Winnebago County, where there is an 8.8-percent unemployment, the Rock River Valley Pantry serves the city of Rockford. At that pantry a survey was done last fall covering 226 families composed of 584 people, or 2.6 people per family, to try to get a profile of their clients. The picture that emerged was this:

The average monthly income per household from all sources was $249.85.

Twenty-five percent of the households had at least one member with some income from earnings, pension, et cetera. That income breaks down this way:

Twenty-five percent of the families received food stamps.

Fifteen percent received public assistance.

Eleven percent got township support—general assistance.

Four percent received unemployment compensation—some had in the past but were no longer eligible.

Twenty-eight percent of the families—13 percent of households—some had in the past but were no longer eligible.

Twenty-eight percent of the individuals—13 percent of the heads of households—were disabled or chronically ill.

Twenty-six percent of the families had no income at all.

The survey also showed that 54 percent of the heads of households had worked sometime within the past 2 years. Clearly, these are not people for whom failure is inevitable, but people who have been failed by our economic system. The desire and ability to work produces no jobs for them.

The church and our voluntary, nonprofit organizations struggle in many ways to help people with such overwhelming needs. In addition to providing food and shelter, many are running counseling centers. In Springfield, Aurora, in Chicago, in most cases the prob-

lem is people who had never been unemployed before are being painfully confronted with a loss of dignity and self-worth, and they are panicked. In many communities there are reports of people under this kind of stress have stopped going to churches because they feel humiliated before their neighbors and friends.

Some churches, rather than running their own programs, are supporting agencies with broader programs; and many of these agencies report that their focus has turned from providing food to providing housing. In Peoria, people are coming to Friendship House, a community social services agency, looking for help in finding housing they can afford; but this is an almost impossible task since they have little money and the cheapest two-bedroom apartment with no utilities costs about $300 per month.

At Contact Ministries in Springfield the major request used to be for food and jobs; now it is for housing. People no longer ask for jobs because they know there are none. In Effingham in southern Illinois, the plea is for utilities and energy assistance, and the local agency that provides emergency support has already exhausted its 1985 funds.

Yet another response has been the effort by some urban churches to link up with suburban churches for job searching, but so far that has not been very successful because there are not enough jobs available.

In the face of so much suffering, many denominations in Illinois have turned their efforts toward a public policy advocacy focus. They know that they and their members are not able to meet the needs, though they are doing the best they can. And they believe that, beyond caring for people in emergency situations, it is not the primary role of the church to provide people with the physical necessities of life; rather, our first job is to care for the spiritual and pastoral needs of both our members and others who want our help. We gladly do what we can to help people in need, working alone or with other organizations or in partnership with Governments, but ultimately providing for the general welfare of the people in the appropriate role of Government. That is the expression of the mission of the church.

As I said in the beginning of my testimony, the National Council of Churches advocates full employment. We believe that people who are able to work really want to work, and would if jobs were available. We know that employment is the primary remedy for poverty. But we also know that the Nation is in a period of transition from an industrial economy to an information delivery and service economy. The skills required for most fulltime jobs now are very different from those required in 1955, and in some areas our economic forces have not kept up with the times.

The Ecumenical Great Lakes/Appalachian Project on the Economic Crisis has published a paper entitled "Doing Theology in the Economic Crisis," which describes the plight of the unemployed. Perhaps the best summary of its contents is a quote from a former worker who said, "There is a hell and I have been there. It is when a man has a family to support and is ready to work, and there is no work to do."

We urge you to give serious consideration to the matter of long-range comprehensive reform of the present three-stage unemploy-

ment compensation program, which is simply not adequate to help the long-term unemployed. Recognizing that comprehensive reform is likely to be a time-consuming process, however, we urge you to give your full support to passage of an 18-month extension of the Federal Supplemental Comprehensive Program.

We thank you again for giving us this opportunity to share our concerns with the subcommittee.

Mr. PEASE. Thank you very much, Reverend Wood.

[The prepared statement follows:]

STATEMENT OF REV. RICHARD R. WOOD, DIRECTOR, ILLINOIS CONSORTIUM ON GOVERNMENTAL CONCERNS OF THE ILLINOIS CONFERENCE OF CHURCHES, ON BEHALF OF THE NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE USA

INTRODUCTION

Mr. Chairman and members of the Subcommittee, I am The Rev. Richard R. Wood, Director, Illinois Consortium on Governmental Concerns of the Illinois Conference of Churches. The Conference of Churches is a statewide ecumenical body and the Consortium is its public policy program and is composed of representatives from 24 Protestant and Roman Catholic regional religious bodies in the state.

I appear before you today on behalf of the Health and Welfare Working Group of the National Council of Churches. The Health and Welfare Working Group has designated income maintenance as one of its top priority concerns, along with the closely related issues of full employment, health care, and drug abuse and alcoholism.

The National Council of Churches of Christ in the USA is a community of thirty-one Protestant and Orthodox communions in this country. I do not purport to speak for all members of the communions which are constituent to the National Council of Churches. I am speaking for the Governing Board, the policy-making body which is composed of persons selected by member denominations in proportion to their size. It is this group which determines the policy positions through which the Council seeks to fulfill one of its expressed purposes, to study, speak and act on conditions and issues in the nation and the world which involve moral, ethical and spiritual principles inherent in the Christian gospel."

We are grateful for the opportunity to testify on the issue of extending and reforming the Federal Supplemental Compensation program. My remarks will address the need for continuing this program.

In a 1966 Policy Statement entitled "The Churches' Concern for Public Assistance," the Governing Board of the National Council of Churches said, ". . . our Judeo-Christian ethic of justice makes mandatory the development of economic policies and structures under which all people, regardless of employment status, are assured an adequate livelihood."

As early as 1954, our ethical concerns regarding income maintenance were outlined in a Policy Statement on "Christian Principles and Assumptions for Economic Life," which said: Large-scale unemployment or long-continued unemployment for any considerable number of persons able and willing to work is intolerable. It ordinarily indicates defects in or relaxation of social and economic safeguards. All practicable safeguards should be provided and maintained.

The same statement also said: . . . That the material needs of people be met through their economic institutions and activities is one condition of their spiritual growth. . . . Christians should work for a situation where in all have access at least to a minimum standard of living. . . . Great contrasts between rich and poor in our society tend to destroy fellowship, to undermine equality of opportunity, and to undercut the political institutions of a responsible society.

The National Council of Churches supports the extension of the Federal Supplemental Compensation (FSC) Program and proposes to reform the Permanent Extended Benefit and FSC programs. We recognize that unemployment compensation is a stop-gap program which provides only temporary help; but for many it means the difference between "getting by" and destitution. We know that the real solution to the problems of those who would be hurt the most by the expiration of FSC is for them to get jobs. The National Council of Churches has a long record of support for full employment, and we will continue to support job creation, training and re-training programs, but it is a fact of life that such programs as now exist are already

inadequate to meet current needs and are slated for reduction or elimination under the Administration's FY86 budget proposal. Even if Congress should enact a comprehensive employment program this Spring, it could not be implemented in time to help the people who have been unemployed for serveral months and whose benefits are expiring now. They need unemployment compensation.

In Illinois, where I live and work, the recession has hit very hard and its effects are keenly felt. The Director of the state's Bureau of the Budget has said that, compared to the rest of the nation, Illinois experiences recessions more severely, stays in them longer, and never again attains its prior level of productivity. Nina Klarich, First Vice President of Chicago's First National Bank testified before the Illinois General Assembly's Economic and Fiscal Commission that the describes Illinois in the current recession too. Her figures show that between the fourth quarter of 1979 and the first quarter of 1983, the jobs lost in various industries were as follows:

Industry	Jobs lost	Percent decrease
Mining	7,590	2.4
Construction	43,490	22.6
Manufacturing	291,870	23.8
Transportation	24,560	8.6
Trade	63,560	5.6

From the first quater of 1983 through the third quarter of 1984, transportation, trade and mining showed slight improvements, but construction lost 4,620 more jobs and manufacturing another 48,740. These figures illustrate the long-term nature of unemployment in Illinois. For the record, I have also given the Subcommittee copies of a chart documenting this situation in greater detail.

Also in testimony before the Illinois Economic and Fiscal Commission, Herb E. Neill, Jr., Vice President of the Investment Department of Harris Trust and Savings Bank, said: Recovery in Illinois and the Illinois economy has been trailing that of the nation. This phenomenon is likely to continue because of the high level of real interest rates and the dollar. Capital spending of a traditional nature of considerable importance to Illinois producers has been somewhat adversely affected by the continued high level of interest rates. However of greater significance is the strong dollar which has devastated Illinois exports such as farm products and machinery. The recovery in employment in Illinois in the past two years has been among the weakest of all fifty states. However after showing no gain in 1983, nonmanufacturing payroll employment did rise 2% during 1984. The pick-up was only one-half as fast as for the total country but it was somewhat gratifying after the erosion of nonmanufacturing employment for the four years 1980 to 1983.

At the same hearing the Chairperson of the Commission said "Its a miracle we have any growth in Illinois. It's not getting any better. It's not getting any worse. It's clear we can not build any future position based on growth." These legislators, economically conservative people, also observed that the only cuts in the federal budget which would not hurt Illinois would be cuts in defense.

At the same time the governor has proposed a Build Illinois Program, the details of which have yet to come out. He announced this plan in his State of the State message on February 5th. There he laid out a plan that seemed to indicate a shift away from current industry and the current industrial structure towards promoting a high tech base for Illinois, and also a shift away from training and retraining those who are hardest to employ and those who stay in the labor market for the shortest period of time.

This will give you some idea of the magnitude of our unemployment problem in Illinois. And yet current programs offer little help to the jobless. In August 1984, only 28.3% of our unemployed received Unemployment Compensation even-though our jobless rate, at 8.6%, exceeded the national rate (7.5%) by more than one full percentage point. And Illinois is not unique. I am in regular contact with ecumenical staff in most states, and many of their areas face the same problems.

The religious community has a special role to play and that is ministering to the human and spiritual needs of people, as well as being concerned about their physical well-being. In times of economic crisis, their needs can become overwhelming.

The National Council of Churches is one of six voluntary organisations which serve on the Emergency Food and Shelter National Board, created by Congress in Public Law 98-8 to assist victims of the recession. In three rounds of funding, that program has been charged with distributing $160 million in federal funds through private voluntary organizations to house and feed people in desperate need. Illinois

has received $12,209,500 for which we are deeply grateful. These funds have helped churches and other concerned organizations to carry a staggering load; and yet, in honesty, I have to say that much of the need has been untouched.

Though we want desperately to address the basic human needs of all the needy, our resources are simply not adequate. We were not able to care for all who sought our help before the recession, and now we are seeing massive increases in the numbers of individuals and families who come to us for food, housing, medical care, clothing, and counselling. Families are losing their homes, having their utilities shut off, and delaying crucial medical care, all because they have no money to meet even these basic subsistence needs.

In Illinois, most churches are responding to this crisis situation through food pantries. For example, in Winnebago County (where there is 8.8% unemployment), the Rock River Valley Pantry serves the city of Rockford. At that pantry a survey was done last fall covering 226 families composed of 584 people, or 2.6 people per family, to try to get a profile of their clients. The picture that emerged was this:

The average monthly income per household from all sources was $249.85; 25% of the households had at least one member with some income from earnings, pension, etc.; 25% of the families received food stamps; 15% received public assistance, (SSP); 11% got township support (general assistance); 4% received unemployment compensation (some had in the past but were no longer eligible); 28% of the individuals (13% of heads of households) were disabled or chronically ill; and 26% of the families had no income at all.

The survey also showed that 54% of the heads of households had worked sometime within the past two years. Clearly, these are not people for whom failure is inevitable, but people who have been failed by our economic system. The desire and ability to work produces no jobs for them.

The churches and other voluntary, non-profit organizations struggle in many ways to help people with such overwhelming needs. In addition to providing food and shelter, many are running counselling centers. In Aurora, Illinois, faced with high unemployment related to the possible closing of a Caterpillar plant, Holy Angels Parish set up a therapeutic support group for the unemployed. There is another one at First Christian Church in Springfield, a city buffeted by plant closings. There are many church-run counsellings centers in Chicago. All of these institutions are faced with huge increases in requests for help with family crises. In most cases, the problem is that people who have never been unemployed before are being painfully confronted with a loss of dignity and self-worth, and they are panicked. In many communities there are reports that people under this kind of stress have stopped going to churches because they feel humiliated before their neighbors and friends.

Some churches, rather than running their own programs, are supporting agencies with broader programs; and many of these agencies report that their focus has turned from providing food to providing housing. In Peoria, people are coming to Friendship House, a community social services agency, looking for help in finding housing they can afford; but this is an almost impossile task since they have little money and the cheapest two-bedroom apartment with no utilities costs about $300 per month.

At Contact Ministries in Springfield the major request used to be for food and jobs; now it is for housing. People no longer ask for jobs because they know there are none. In Effingham in Southern Illinois, the plea is for utilities and energy assistance, and the local agency that provides emergency support has already exhausted its 1985 funds.

Yet another response has been the effort by some urban churches to link up with suburban churches for job searching, but so far that has not been very successful because there are not enough jobs available.

In the face of so much suffering many denominations in Illinois have turned their efforts towards a public policy advocacy focus. They know that they and their members are not able to meet the needs, though they are doing the best they can. And they believe that, beyond caring for people in emergency situations, it is not the primary role of the Church to provide people with the physical necessities of life; rather, our first job is to care for the spiritual and pastoral needs of both our members and others who want our help. We gladly do what we can to help people in need, working alone or with other organizations or in partnership with government; but ultimately, providing for the general welfare of the people is the appropriate role of government.

As I said at the beginning of my testimony, the National Council of Churches advocates full employment. We believe that people who are able to work really want to work, and would if jobs were available. We know that employment is the primary

remedy for poverty. But we also know that the nation is in a period of transition from an industrial economy to an information delivery and service economy. The skills required for most full-time jobs now are very different from those required in 1955, and in some areas our economic forces have not kept up with the times.

The Ecumenical Great Lakes/Appalachian Project on the Economic Crisis has published a paper entitled "Doing Theology in the Economic Crisis", which describes the plight of the unemployed. Perhaps the best summary of its contents is a quote from a former worker who said, "There's a hell and I've been there. It's when a man has a family to support and is ready to work, and there is no work to do." I have attached to my testimony a series of quotes from other unemployed people who were interviewed for that document.

The people discussed in this paper had all been employed for long periods. Some were in management. They had families, homes, ambitions for their children, hope for their futures. Now they face destitution. They need retraining and new jobs, but until these things are available, they need unemployment compensation benefits. In January 1985, according to the Bureau of Labor Statistics, 15.4% of those who are unemployed had been without work for 27 weeks or longer. Few people could afford to go so long without income. Unemployment compensation helped those who received it to support their families and maintain their homes with some degree of decency. If FSC benefits are allowed to lapse, these inviduals and families will be thrown into a void with no income and very little hope for employment.

We urge you to give serious consideration to the matter of long-range comprehensive reform of the present three-stage unemployment compensation program, which is simply not adequate to help the long-term unemployed. Recognizing that comprehensive reform is likely to be a time-consuming process, however, we urge you to give your full support to passage of an eighteen-month extension of the Federal Supplemental Comprehensive Program.

We thank you again for giving us this opportunity to share our concerns with the Subcommittee.

EXCERPTS FROM "DOING THEOLOGY IN THE ECONOMIC CRISIS," PUBLISHED BY THE ECUMENICAL GREAT LAKES/APPALACHIAN PROJECT ON THE ECONOMIC CRISIS

"I'm a skilled machinist, out of work for two years. A European corporation bought our plant, didn't re-tool, wore out the machinery and used the profits to build a plant overseas where labor is cheaper. Two thousand people were put out into the streets. Hardly anybody got any other jobs. My foreman, who was 57, committed suicide. I hear a lot more stories of wives and kids getting beat up. We don't trust anybody any more."

"My husband's gone. I managed to support my four kids with a good production job at the mill. They closed the plant. I don't have any work. But all I can get are office jobs or at McDonalds. There's no way I can support a family on a salary of $4.000 an hour."

"I grew up in a great neighborhood, mostly steel workers. We helped each other, played together, drank together, went to church together, raised our kids together. But they shut down all but one hearth. I can do a lot of things and had 20 years a perfect record, but nobody wants to hire an ex-union steel worker. They think we're trouble. We organize and expect decent wages. The neighborhood is about gone. Families are losing their homes. Young ones are moving out. People are ashamed, so they stay to themselves. All we worked hard for is gone. For some reason, most people aren't mad, just afraid and depressed."

"Our community looks like a disaster area—empty houses, stores boarded up, gangs of kids who never had a real job, and probably never will."

Mr. PEASE. Thank you very much, Reverend Wood.

Next we will turn to Loudon Seth, issues and information coordinator for the Ecumenical Great Lakes/Appalachian Project on the Economic Crisis.

STATEMENT OF LOUDON SETH, ISSUES AND INFORMATION COORDINATOR, ECUMENICAL GREAT LAKES/APPALACHIAN PROJECT ON THE ECONOMIC CRISIS

Mr. SETH. Quite a mouthful, isn't it?

Mr. Chairman, members of the subcommittee, I am grateful to you for this opportunity to testify before you today. My name is

Loudon Seth. I represent a broad-based network of several thousand individuals, primarily from the religious community, in nine Great Lakes States. The nine States are Illinois, Indiana, Kentucky, Michigan, New York, Ohio, Pennsylvania, West Virginia, and Wisconsin, which between them contain one-third of the Nation's labor force.

I would reiterate the view that the decisions that this subcommittee is discussing involve moral as well as economic judgments. Let me begin with a quotation from the paper entitled "Doing Theology in the Economic Crisis," which has already been referred to:

> God intended all persons to find a meaningful place in the community, including its economy. All have a right to work and the means for a decent life. Any society, no matter how productive its gross national product, that marginalizes or excludes persons economically either by denying them meaningful work or a just wage violates both God and the neighbor.

Mr. Chairman, the unemployment compensation system was created with two main objectives: One to provide partial wage replacement to involuntarily unemployed workers and, two, to help stabilize the economy during recessions.

Clearly the present system is failing to meet one if not both of these objectives.

As a minimum I would urge the committee to support H.R. 890 sponsored by Representative Don Pease to extend the FSC Program for 18 months, although I believe H.R. 890 needs to include a reach-back provision. In the meantime I would urge Congress to deal with a long overdue comprehensive revision of the unemployment compensation system.

I intend in my testimony to cover four main points.

One, there is a continuing massive economic shift that has occurred in the nine States of the region;

Two, this economic shift which, I believe, well merits the term crisis is having a severe impact on workers, their families and communities throughout the region;

Three, church-related and other private agencies have responded to the utmost of their ability to the human need that this crisis has caused. However their resources, both human and financial, are now stretched to the limit and they cannot continue to expand their efforts; and

Four, the unemployment compensation system in its present form has failed to meet the needs of unemployed workers for vital income support.

As a member of the Interreligious Economic Crisis Organizing Network, also speak here today on behalf of nine other regional networks affiliated with I/ECON. The experience which I am going to relate to you concerning the Great Lakes/Appalachian region can be replicated elsewhere and data supporting this can be provided to the subcommittee.

Our project was selected to speak on behalf of the other nine networks because the data we have compiled are, we believe, the most current.

The network that I represent, The Ecumenical Great Lakes/Appalachian Project on the Economic Crisis, came together 2 years ago in response to the overwhelming demands that were being placed on churches and church-supported agencies as a result of

the massive economic dislocation that has occurred over the past 5 years in the region. This economic dislocation has left no sector of the region's economy unscathed. Steel mills have been closed and are continuing to shut down in cities like Buffalo, Pittsburgh, Youngstown, Chicago, and Gary. Many thousands of automobile workers have not been called back to their jobs in Michigan and elsewhere in the region.

Thousands of manufacturing plants have shut down with the loss of hundreds of thousands of jobs across the region. One study published in 1984 indicated that Cleveland alone had lost 1,859 manufacturing plants since 1978 with the loss of 73,000 jobs. For the region as a whole the decline in manufacturing employment between 1979 and November 1984 has averaged 17.7 percent ranging from a low of 11.2 percent in New York to a high of 28.4 percent in West Virginia. All told the region has lost 1.5 million manufacturing jobs over this time period. Kentucky and West Virginia lost almost one-third of their mining jobs between 1979 and 1983.

Nor is the picture any brighter in the rural areas of the region. There the family farmer, the backbone of the region's rural economy, has been squeezed by economic forces and Government policies. As a result, farmers have been forced into their worst crisis since the depression.

Perhaps I can give you some idea of the impact of these events on the lives of workers and their families in the region by quoting to you the remarks of some laidoff workers with whom we have talked. One person remarked:

> There is a hell and I have been there. It is when a man has a family to support . . . and is ready to work and there is no work to do.

Another told us:

> I am a skilled machinist out of work for two years. An European corporation bought our plant, did not retool, wore out the machinery and used the profits to build a plant overseas where labor is cheaper. Two thousand people were put out on the streets. Hardly anybody got other jobs. My foreman was 57. He committed suicide. I hear a lot more stories about wives and kids getting beat up.

A female worker with a family to support said:

> With my husband gone I managed to support my four kids with a good production line job at the mill. They closed the plant. I will do any work. But all I can get are office jobs or at McDonalds. No way I can support a family on four bucks an hour.

An unemployed steelworker in Youngstown said:

> You know sometimes, I do not know how we are going to make it. We get $235 and some food stamps a month to pay for everything. I wish the President could come here and see how we live, we never have led extravagant lives. There are times when a man falls into bad times, through no fault of his own, and he needs help for his family for a short while. It can happen to anybody.
>
> We keep a big garden, my wife sews, and I hunt. We were both from poor backgrounds and so in the end, we know how to get by. We pray a lot. What about the people who are not used to having to go without? Yes, sometimes we get down, but then we know that there is always someone's family down the way who is a little bit worse off than us.

Mr. PEASE. Mr. Seth, pardon me. I would like to interrupt you. We have a vote going on over in the Chamber which I am going to have to respond to and rather than have you rush through your testimony and then dismiss you, if you are not in that big a hurry I would like to just go over and cast my vote and come back.

Is that satisfactory?

Mr. SETH. I will be happy to accommodate you.

Mr. PEASE. In that case we will declare a recess for about 15 minutes, and then we will be back and hear the rest of your testimony; and perhaps I will have a few questions, and we will hear from the last witness.

The subcommittee stands in recess.

[Recess.]

Mr. PEASE The subcommittee will resume its hearing, and I appreciate your cooperation, and, as I recall, Mr. Seth, your last words were "who is a little bit worse off than us."

Mr. SETH. Thank you.

Impelled by the kind of human suffering that these remarks indicate a task force of the project for which I work compiled a document entitled "Doing Theology in the Economic Crisis," from which I quoted earlier. This document is a statement on moral and ethical perspectives on the economic crisis in the Great Lakes/Appalachian region. The task force included in their deliberations representatives of labor, management, and the unemployed along with both lay and clergy members of the religious community. I would like to share briefly some of their views with this subcommittee.

> Middle-aged skilled workers—and now some middle managers and engineers—find it very difficult to follow the jobs or retrain. And the impact on minorities and women, particularly female heads of household, is even more devastating.
>
> The effects of sustained unemployment are well documented. Workers lose their sense of personal worth. Child and spouse abuse, suicides, separation, family disorganization, ill health, and mortality rates all increase. The effects are equally disastrous for communities heavily dependent upon production industries, from Youngstown to Detroit to South Chicago to West Virginia mining towns. Businesses, schools and local governments lose their economic base. Churches and social agencies no longer have the resources to meet the escalating family and personal problems. Unemployed youth become a threat, not a resource. And as people lose their sense of worth and retreat into themselves or television, the social networks—including both taverns and churches—fall apart. People grow cynical about all forms of organization and all leaders.
>
> This is only an outline of what churches and synagogues hear from within their communities.

In the light of these remarks it is disturbing to note that unemployment in the 9 States of the region throughout 1984 averaged almost 10 percent, a rate substantially higher than at the depths of the 1975 recession. It is important to note that this rate is a full 2 percentage points higher than the national average. Prior to 1979 the rate of unemployment in the region never varied from the national average by more than half a percentage point—usually slightly lower, sometimes higher but never different by more than half a percentage point. Now a wide and stubborn gap has opened and shows every sign of becoming permanent.

In December 1984 over 3 million workers throughout the nine States were officially counted as unemployed, or 9.1 percent of the labor force.

Furthermore, those out of work are remaining unemployed for longer periods. The average duration of unemployment nationally has increased from 13.7 weeks in 1981 to 18.2 weeks in 1984. The number of those unemployed 27 weeks or longer has also increased. The number of long-term unemployed nationally in January was

1,357,000. This figure represents a 30-percent increase over the past 4 years.

Few of those officially counted as unemployed are receiving any form of unemployment compensation under the present program. In November 1984 only 30 percent of the unemployed in the nine States were receiving benefits. None of the nine States is currently triggered onto the extended benefits program.

In this context I would again like to quote from the paper "Doing Theology in the Economic Crisis":

> No one in Israel was to be excluded from the community by economic processes. At a minimum, the poor were left grain to glean, a productive function that provided enough to sustain decent life in their communities. One did not take away a person's basic means of production for any economic reason.

And to quote Deuteronomy:

> No one shall take a mill or an upper millstone in pledge; for he would be taking a life in pledge.

The consequences of the data I have cited are alarming. In Cleveland alone home foreclosures have increased by 59 percent over the past 2 years. Since 1979 the number of people receiving general relief from the county welfare department has grown from 9,800 to over 40,000, a 300-percent increase in need.

Church-related and other private agencies have done everything in their power to ally the human suffering. I would like to give you just a few examples. The Church Federation of Greater Chicago reports that it made emergency allocations of food through its hunger centers to some 40,000 individuals per month in 1982 and to over 100,000 per month in 1984. The Interchurch Council of Greater Cleveland reports a 371-percent increase in food allocations between 1981 and 1984.

The Food Bank in Pittsburgh increased its food distribution from less than 1 million pounds in 1981 to over 7 million pounds in 1984.

In Buffalo the Food for All Program run by Buffalo Area Metropolitan Ministries distributed food to 3,700 individuals per month in 1981. By 1984 the need had increased to the point that almost 16,800 individuals were helped every month. Studies indicate that a large proportion of those seeking such emergency food assistance are persons who were, until recently, employed and self-sufficient.

The human and financial resources of such agencies are now stretched to the limit. They can do no more. It is vital that the Federal Government step in at this point. We believe that the only viable and morally acceptable long-term solution to these problems is the creation of a full employment economy, an economy which would provide a job at a living wage for every man and woman able to work. Until that time we must provide meaningful income support to those who are unemployed through no fault of their own. To quote briefly from the conclusions to the paper "Doing Theology in the Economic Crisis":

> The primary goal of an economic policy should be to afford a basis for meaningful and sustaining work for all in stable communities.
>
> All persons, whether part of the job market or not, should be assured the dignity and economic resources needed to be full participants in the community.

I would reiterate as a minimum I would urge the committee to support H.R. 890 sponsored by Representative Don Pease to extend

the FSC Program for 18 months. In the meantime I would urge Congress to deal urgently with a comprehensive revision of the unemployment compensation system.

I believe H.R. 1072 which Representative Don Pease has offered with Representatives Stark, Kaptur, Clinger, and Boehlert which would replace FSC and EB with a consolidated program of extended unemployment compensation is a step in this direction.

Thank you for your attention.

[The prepared statement follows:]

STATEMENT OF LOUDON SETH, ISSUES AND INFORMATION COORDINATOR, THE ECUMENICAL GREAT LAKES/APPALACHIAN PROJECT

Mr. Chairman, members of the Subcommittee: I am grateful to you for this opportunity to testify before you today. I represent a broad-based network of several thousands of individuals, primarily from the religious community, in nine Great Lakes and Northern Appalachian States. The nine states are Illinois, Indiana, Kentucky, Michigan, New York, Ohio, Pennsylvania, West Virginia and Wisconsin, which between them contain one-third of the nation's labor force.

As a member of the Interreligious Economic Crisis Organizing Network (I/ECON) I also speak here today on behalf of nine other regional networks affiliated with I/ECON. The experience which I am going to relate to you concerning the Great Lakes/Appalachian Region can be replicated elsewhere and data supporting this can be provided to the Subcommittee.

I intend in my testimony to cover four main points: (1) There is a continuing massive economic shift that has occurred in the nine states of the Region; (2) This economic shift which, I believe, well merits the term "crisis" is having a severe impact on workers, their familes and communities throughout the Region; (3) Church-related and other private agencies have responded to the utmost of their ability to the human need that this crisis has caused. However their resources. both human and financial, are now stretched to the limit and they can not continue to expand their efforts; and (4) The Unemployment Compensation system in its present form has failed to meet the needs of unemployed workers for vital income support. Their needs to be not only a continuation of the Federal Supplemental Compensation (FSC) program but indeed a major reform of the entire system.

TABLE 1.—DECLINE IN MANUFACTURING EMPLOYMENT: 1979 TO NOVEMBER 1984

State	Manufacturing employment (1,000's)		Percent change
	1979	November 1984	
Illinois	1,271.6	984.4	−22.6
Indiana	733.2	605.1	−17.5
Kentucky	297.2	254.4	−14.4
Michigan	1,160.2	954.5	−17.7
New York	1,492.8	1,325.6	−11.2
Ohio	1,382.3	1,119.3	−19.0
Pennsylvania	1,386.8	1,106.1	−20.2
West Virginia	126.1	90.3	−28.4
Wisconsin	591.3	504.6	−14.7
Region	8,441.5	6,944.3	−17.7

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The network that I represent, The Ecumenical Great Lakes/Appalachian Project on the Economic Crisis, came together two years ago in response to the overwhelming demands that were being placed on churches and church-supported agencies as a result of the massive economic dislocation that has occurred over the past five years in the Region. This economic dislocation has left no sector of the Region's economy unscathed. Steel mills have been closed and are continuing to shut down in cities have Buffalo, Pittsburgh, Youngstown, Chicago and Gary. Many thousands of automobile workers have not been called back to their jobs in Michigan and elsewhere in the region. Thousands of manufacturing plants have shut down with the loss of hundreds of thousands of jobs across the Region. One study published in 1984

indicated that Cleveland alone had lost 1,359 manufacturing plants since 1978 with the loss of 73,000 jobs. For the region as a whole the decline in manufacturing employment between 1979 and November, 1984 has averaged 17.7% ranging from a low of 11.2% in New York to a high of 28.4% in West Virginia. All told the region has lost 1½ million manufacturing jobs over this time period. (See table 1) Kentucky and West Virginia lost almost one-third of their mining jobs between 1979 and 1983. (See Table 2)

TABLE 2.—DECLINE IN MINING EMPLOYMENT: 1979–83

State	Mining Employment (1,000s)		Percent change
	1979	1983	
West Virginia	68.0	49.1	−27.8
Kentucky	54.5	36.2	−33.6
Pennsylvania	51.7	39.3	−24.0
Ohio	31.6	26.6	−15.8

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Nor is the picture any brighter in the rural areas of the region. There the family farmer, the backbone of the region's rural economy, has been squeezed by economic forces and government policies. As a result, farmers have been forced into their worst crisis since the Depression.

Meanwhile the inflated value of the dollar has made it increasingly difficult for the Region's farmers to sell their produce overseas.

Perhaps I can give you some idea of the impact of these events on the lives of workers and their families in the region by quoting to you the remarks of some laid-off workers with whom we have talked. One person remarked: "There is a hell and I've been there. It's when a man has a family to support . . . and is ready to work and there is no work to do."

Another told us: "I'm a skilled machinist out of work for two years. A European corporation bought our plant, didn't retool, wore out the machinery and used the profits to build a plant overseas where labor is cheaper. Two thousand people were put out on the streets. Hardly anybody got other jobs. My foreman was 57. He committed suicide. I hear a lot more stories about wives and kids getting beat up."

A female worker with a family to support said: "With my husband gone I managed to support my four kids with a good production line job at the mill. They closed the plant. I'll do any work. But all I can get are office jobs or at McDonald's. No way I can support a family on four bucks an hour."

An unemployed steelworker in Youngstown said: "You know sometimes, I don't know how we're going to make it. We get $235 and some food stamps a month to pay for everything. I wish the President could come here and see how we live, we never have led extravagant lives There are times when a man falls into bad times, through no fault of his own, and he needs help for his family for a short while. It can happen to anybody. We keep a big garden, my wife sews, and I hunt. We were both from poor backgrounds and so in the end, we know how to get by. We pray a lot. What about the people who aren't used to having to go without? Yes, sometimes we get down, but then we know that there is always someone's family down the way who is a little bit worse off than us."

Impelled by the kind of human suffering that these remarks indicate a Task Force of the Project for which I work compiled a document entitled "Doing Theology in the Economic Crisis". This document is a statement on moral and ethical perspectives on the economic crisis in the Great Lakes/Appalachian Region. The Task Force included in their deliberations representatives of labor, management and the unemployed along with both lay and clergy members of the religious community. I would like to share some of their views with this Sub-committee.

They begin by stating: "A crisis confronts the Great Lakes/Appalachian region. A massive movement of industrial jobs out of the region is impoverishing millions of families, destroying the stability of many communities and threatening the viability of the region as a whole. And there is strong evidence that this is not just a temporary recession but part of a long-term shift in the economic foundations of the nation. This emerging crisis is systemic in form but intensely personal in its consequences."

They go on to say: "Middle-aged skilled workers—and now some middle-managers and engineers—find it very difficult to follow the jobs or re-train. And the impact on

minorities and women, particularly female heads of household, is even more devastating. They are often first-fired because of seniority and have less opportunity to get training or access to any but low-paying jobs. The conditions that workers now face, if they have a job, represent a degeneration of the quality and the dignity of work . . . .

"The effects of sustained unemployment are well-documented. Workers lose their sense of personal worth. Child and spouse abuse, suicides, separation, family disorganization, ill health and mortality rates all increase. The effects are equally disastrous for communities heavily dependent upon production industries, from Youngstown to Detroit to South Chicago to West Virginia mining towns. Businesses, schools and local governments lose their economic base. Churches and social agencies no longer have the resources to meet the escalating family and personal problems. Unemployed youth become a threat, not a resource. And as people lose their sense of worth and retreat into themselves or television, the social networks—including both taverns and churches—fall apart. People grow cynical about all forms of organization and all leaders.

"This is only an outline of what churches and synagogues hear from within their communities."

In the light of these remarks it is disturbing to note that unemployment in the nine states of the region throughout 1984 averaged almost 10 percent, a rate substantially higher than at the depths of the 1975 recession. It is important to note that this rate is a full two percentage points higher than the national average. Prior to 1979 the rate of unemployment in the Region never varied from the national average by more than half a percentage point—usually slightly lower, sometimes higher but never different by more than half a percentage point. Now a wide and stubborn gap has opened up and shows every sign of becoming permanent. (See chart A.)

In December, 1984 over three million workers throughout the nine states were officially counted as unemployed, or 9.1% of the Labor force. (See Table 3)

Furthermore, those out of work are remaining unemployed for longer periods. The average duration of unemployment nationally has increased from 13.7 weeks in 1981 to 18.2 weeks in 1984. The number of those unemployed twenty-seven weeks or longer has also increased. The number of long-term unemployed nationally in January was 1,357,000. This figure represents a 20 percent increase over the past four years.

Few of those officially counted as unemployed are receiving any form of unemployment compensation under the present program. In November, 1984 only 30 percent of the unemployed in the nine states were receiving benefits. (See table 2) Nationally an average of only 34 percent of the unemployed received benefits during 1984. The percentage of unemployed persons receiving benefits has dropped dramatically from 76 percent in 1975 to 34 percent in 1984. Fewer than 25 percent of the 1.357 million long-term unemployed were receiving benefits under either the Federal Supplemental Compensation program or the Extended Benefits program in January, 1985. None of the nine states is currently "triggered on" to the Extended Benefits program. West Virginia is the most glaring example of the inequity of this fact. Although West Virginia is the most glaring example of the inequity of this fact. Although West Virginia had a Total Unemployed Rate (TUR) of 15.6 percent in December 1984, its Insured Unemployment Rate (IUR) was only 5.6 percent, insufficient for the state to "trigger on" to the Extended Benefits program.

In this context I would again like to quote from the paper "Doing Theology in the Economic Crisis": No one in Israel was to be excluded from the community by economic processes. At a minimum, the poor were left grain to glean, a productive function that provided enough to sustain decent life in their communities. One did not take away a person's basic means of production for any economic reason. "No one shall take a mill or an upper millstone in pledge; for he would be taking a life in pledge." (Deuteronomy 24:6)

TABLE 3.—UNEMPLOYMENT

State	Total unemployed (December 1984)	Percentage rate	Percent receiving compensation (November 1984)
Illinois	481,200	8.6	28.1
Indiana	227,200	8.7	24.3
Kentucky	136,000	9.1	22.7
Michigan	452,300	10.6	27.6

TABLE 3.—UNEMPLOYMENT—Continued

State	Total unemployed (December 1984)	Percentage rate	Percent receiving compensation (November 1984)
New York	531,500	6.5	37.6
Ohio	469,200	9.2	27.8
Pennsylvania	405,100	7.3	41.1
West Virginia	122,000	15.6	26.8
Wisconsin	173,400	7.2	34.6
Region	3,017,900	9.1	30.1

Sources: U.S. Department of Labor, Bureau of Labor Statistics. Center on Budget and Policy Priorities.

"All such rules proceeded on the premise that God intended all persons to find a meaningful place in the community, including its economy, and had a right to work and the means for a decent life. Any society, no matter how productive its Gross National Product, that marginalizes or excludes persons economically, either by denying them meaningful work or a just wage, violates both God and the neighbor."

The consequences of the data I have cited are alarming. In Cleveland alone home foreclosures have increased by 59% over the past two years. Since 1979 the number of people receiving General Relief from the County Welfare Department has grown from 9,800 to over 40,000—a 300 percent increase in need.

Church-related and other private agencies have done everything in their power to allay the human suffering. I would like to give you just a few examples. The Church Federation of Greater Chicago reports that it made emergency allocations of food through its hunger centers to some 40,000 individuals per month in 1982 and to over 100,000 per month in 1984. The Interchurch Council of Greater Cleveland reports a 371 percent increase in food allocations between 1981 and 1984, from about 11,000 individuals per month in 1981 over 50,000 per month in 1984. In the same period the Community Food Bank in Cleveland increased in distribution of food from 700,000 pounds in 1981 to over 9 million pounds in 1984. The Food Bank in Pittsburgh increased its food distribution from less than one million pounds in 1981 to over 7 million pounds in 1984. In Buffalo the Food for All Program run by Buffalo Area Metropolitan Ministries distributed food to 3,700 individuals per month in 1981. By 1984 the need had increased to the point that almost 16,800 individuals were helped every month. Studies indicate that a large proportion of those seeking such emergency food assistance are persons who were, until recently, employed and self-sufficient.

The human and financial resources of such agencies are now stretched to the limit. They can do no more. It is vital that the Federal government step in at this point. We believe that the only viable and morally acceptable long-term solution to these problems is the creation of a full employment economy—a economy which would provide a job at a living wage for every man and woman able to work. Until that time we must provide meaningful income to those who are unemployed through no fault of their own. To quote briefly from the conclusions to the paper "Doing Theology in the Economic Crisis:"

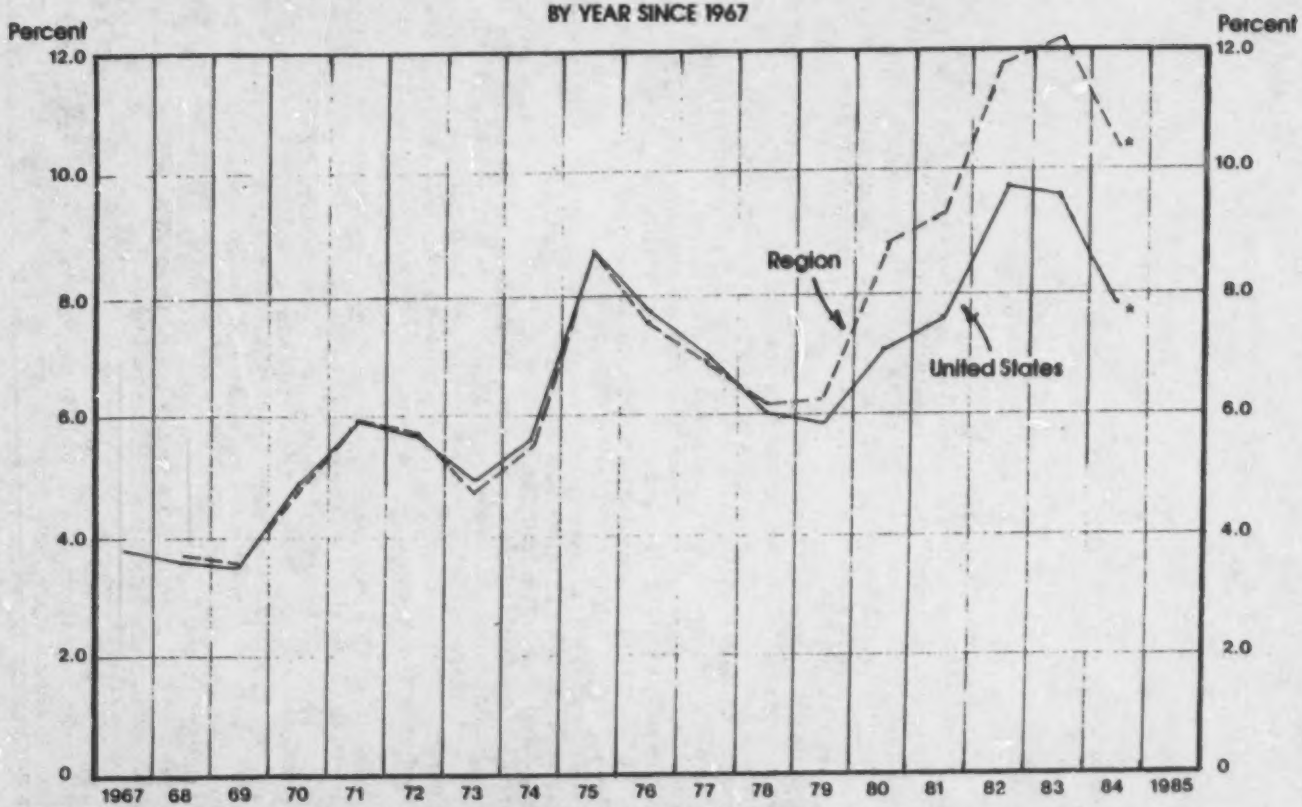
"The primary goal of an economic policy should be to afford a basis for meaningful and sustaining work for all in stable communities.

"All persons, whether part of the job market or not, should be assured the dignity and economic resources needed to be full participants in the community."

The unemployment Compensation System was created with two main objectives: (1) to provide partial wage replacement to involuntarily unemployed workers, and (2) to help stabilize the economy during recessions. Clearly the present system is failing to meet one, if not both, of these objectives. As a minimum I would urge the Committee to support H.R. 890 sponsored by Rep. Don Pease to extend the FSC program for 18 months. In the meantime I would urge Congress to deal urgently with a comprehensive revision of the Unemployment Compensation System. I believe H.R. 1072 which Rep. Don Pease has offered with Reps. Stark, Kaptur, Clinger and Boehlert which would replace FSC and EB with a consolidated program of extended unemployment compensation is a step in this direction.

Chart

AVERAGE RATE OF UNEMPLOYMENT, UNITED STATES AND REGION
BY YEAR SINCE 1967



Sources: U.S. Department of Labor, Bureau of Labor Statistics
U.S. Department of Commerce, Bureau of the Census

*Note: 1984 figures are averages through August, 1984

Mr. PEASE. Thank you very much, Mr. Seth.

We appreciate very much the testimony of all of our witnesses, and particularly appreciate your patience in waiting for me while I run over to vote.

I think you have given us very valuable testimony. I really mean that.

I was struck by the similarity of the testimony given in all three cases, particularly by two quotes from you, Mr. Hannigan, and you, Reverend Wood.

I wish a lot of people could hear and understand and believe the quotes that you gave, Mr. Hannigan, "in this economic climate the assumption that any individual with no work experience, no job skills and minimal education, and literacy level can find and hold a job on his or her own is blatantly inaccurate."

I find that again and again and again, where so many people who do have jobs, make the assumption that those who do not are wilfully unemployed, and can certainly find a job, if they would just go out and look for one.

That is one of the most, I think, dangerous myths of our society.

I think, Reverend Wood, you said something similar in one of your quotes, "these are not people for whom failure is inevitable, but people who have been failed by our economic system. The desire and ability to work produces no jobs for them."

I would be sort of curious to get from all three of you, as you are all involved in religious organizations—and I think the religious organizations of this Nation have done a magnificent job over the past 4 years, in picking up the slack, as the Government has withdrawn, in a lot of areas. But at the same time, I suspect that many of the parishioners of your churches voted last year for Ronald Reagan, who essentially said the unemployed are unemployed because they want to be, because they are not willing to go out and look for work, and in our system we provide an opportunity for people to find work. If they do not find it, it is their tough business.

One of the things that really distresses me is the possibility of a change in our society, a different attitude on the part of people, particularly those of some means, and those who live in the suburbs, toward the people who are suffering.

I must say I am not singling out people who go to church. I think it applies across the board.

But certainly, in churches, I presume rabbis, priests, and ministers have an opportunity on Sundays, to remind their parishioners of the teachings of the Bible.

Do you note this trend within your own churches? What sort of experience have you had with this?

Reverend WOOD. That trend certainly is there, and I think part of the problem lies with a dynamic on economic issues that exist in many quarters of our society, and that is to want to see the issues in very simple terms.

I do not remember who it was who said for every problem there is a solution that is simple and direct and wrong, and that certainly applies to economic questions.

At the same time, what we are finding, is while there is a willingness, or at least a viewpoint that is simple, in viewing the economic situation today, at the same time, in the religious communi-

ty an increasing number of leaders and program people and agencies are recognizing the need to develop an education focus that will help to train the religious community in seeing the complexities of the economic problem, and that is happening with renewed interest and vigor.

That grew out of the Great Lakes project on the economic crisis in Illinois. Some of the denominations, and faith groups, have made economic development their No. 1 program priority for the coming year.

So there is that shift that is going on, and it will probably be a long-term shift. But at the same time the religious community has been concerned about the unemployed, and those living in poverty, and has enabled those people who find themselves in those situations to become involved in a political process on their own.

A good example of that is speaking for the Illinois Conference of Churches Consortium on Governmental Concerns, we have been participating in the churches committee on voter registration, where over the last year we had three projects going in Illinois, where we focused on registering low-income and unemployed people in a nonpartisan registration effort.

In Springfield, we had a turnout where we registered 3,000. We followed the book, and did all the steps, and we had a 91.6-percent turnout. Nationally, they are polling right now within the committee, they are polling how these people voted, and again, it was nonpartisan, but you will be interested to know that 65 percent of those who voted as a part of this project supported Mondale's candidacy at that point.

So there is a concern that low-income and unemployed people are participating in the political process, as well.

Mr. HANNIGAN. Mr. Pease, I did quote from the "Pastoral on the Economy," which our bishops are now studying, and will vote on in November. It is not an official document, and not an official policy, until that vote is taken.

There is an increasing concern in the Rust Belt States, among the bishops, about the conditions of unemployment, and many of those bishops, in fact, provided financial support and staff support to the Great Lakes project.

Furthermore, my own bishop, Bishop Bevilacqua, has just established a committee to take a look at structural unemployment in our Diocese. Included in its membership are the chairman of the county commissioners of Allegheny County, Congressman Bill Coyne, representatives of Mellon Bank, Rockwell, and representatives of the United Steelworkers, and other unemployed worker groups. If you could have heard those first discussions, you would have seen the microcosm of our society. A major problem in our area is the management/labor climate in Pittsburgh. The Pittsburgh region has been in decline since the passage of Humphrey-Hawkins. There is a continuing question about whether or not new plant construction avoids our area because of the labor climate, or the perception of the labor climate.

Further, we have now the high tech revolution on top of us. Carnegie-Mellon University just got a major contract with the Defense Department, a software contract, and we are becoming Yuppie

Land. We are creating more high tech jobs than we create in the traditional economy.

As a result of that, we have people coming in from all over the United States, being actively recruited, and from all over the world, for that matter. We have an international corridor between the downtown and the airport, which is highly populated with firms who are capitalized in other countries. There must be 200 of those firms in that corridor.

So the whole economic climate of the area is changing. As you probably know high tech begins with an entrepreneur who is generally a college or a university professor, who has an idea, takes it into the marketplace, hires one or two other very skillful people, and then hires women at the minimum wage to assemble whatever it is the product will be. This job generation has nothing to do with the 35- to 50-year-old steelworker with obligations, family, mortgage, kids in school. It has nothing to do with them, and that is why I said I think the Government really has to get into national policy planning, take a look nationally at what our needs are for economic growth. We need to target activity, which was one of the concepts of the Humphrey-Hawkins bill, a national policy planning piece of legislation which Gus Hawkins was able to get through the Congress, and Mr. Carter was unwilling to implement.

In fact, if I remember correctly, I think Gus Hawkins sued him, to see if he could not get something going on the legislation.

I think the concepts of Humphrey-Hawkins are still good, but we are not working on them. A free economy means we can be plundered at will by anybody with a great idea, who can come in and convince us to put our money in it.

As we see across the country, some of those sharpies have created situations in which banks are sitting on a lot of paper they would rather not be sitting on.

Mr. PEASE. Sure.

Mr. Seth.

Mr. SETH. A very few brief comments to add to that.

There is another saying, that any lie that is repeated often enough, and loud enough, becomes the truth, and I think the lie of the economic recovery has been repeated often enough and loud enough, that in many people's mind, it has become the truth, whereas it is very clear from the testimony you have heard here today, that there are very substantial areas of this country, huge industries, and millions of people for whom the economic recovery is certainly a long way away, if indeed there is any prospect of it at all.

I think within our own communities we have, through the project, for example, that I work for, been doing the kind of educational work that is needed to change peoples' perception.

We live perhaps in a time of great individual selfishness, a kind of generally me-first attitude, and I think that the churches are doing a great deal of work to counteract that. It is going to take time to change peoples' attitudes around again to the point where they begin to understand they must have a responsibility as a Nation, for all the people in the Nation, and particularly for those who are poor, for those who are unemployed, for those who are

hurting through economic forces and processes, over which they have little or no control. I believe we are doing that.

Our project held a conference in December, a 3-day conference, in Cleveland, at which one of your colleagues, Congressman John Conyers, was a keynote speaker, and out of that conference has come a whole series of proposals for economic development possibilities that the people at that conference had taken back with them to their individual States, and you have heard from Rich Wood, how in Illinois they are organizing around that series of economic development proposals.

I believe that the climate of opinion can be changed, and will change, and that we will get back to the kind of ideals for which this country really does stand in, and when that happens we will see a change in the kind of legislation that is being proposed in another place than this, and is coming down to the Congress, as being the way to deal with the plight of the unemployed.

Mr. PEASE. Thank you.

You give me some encouragement. I appreciate the testimony of all three of you, and am grateful for your attendance today.

The great prize for patience today goes to Scott McDonald, president of the International Conference of Employment Security Agencies, Inc.

Mr. McDonald, are you still with us?

STATEMENT OF SCOTT B. McDONALD, DIRECTOR, IDAHO DEPARTMENT OF EMPLOYMENT, AND PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

Mr. MCDONALD. Yes. It is a pleasure for me to be here. I promised this committee when I testified before it, I think September 12, I would do my best to make sure that the organization I represented, which is the 50 States and 3 districts that administer the FSC Program, would come back to you with a comprehensive, well-thought-out alternative to what is referred to in the Senate as the Byrd-Heinz bill and in the House as the Pease-Stark bill.

We come here today with that appended to our testimony. I am excited to say that we have delivered what we promised.

It was a very difficult thing to do, as you probably know best, to come up with something that representatives of 50 States would buy off on.

The board of directors of ICESA has approved it and has recommended it to our organization which meets later this week and which I fully hope and expect will endorse that proposal.

Because we spent our time and effort on that proposal, I would encourage you to go through it very carefully and refer to it as you consider a comprehensive reform proposal like H.R. 1072. I think you will find it is better able to do what you set out to do. We commend you for what you set out to do in terms of coming up with a variable number of weeks based on the level of unemployment in a State; and for developing a sliding scale of financial responsibility that increases the Federal Government's share when unemployment rates reach certain levels in States.

I think you will find that our proposal is less expensive than the Byrd-Heinz proposal or the similar proposal in the House. It shifts

more of the financial responsibility for higher levels of unemployment to the Federal Government and to Federal general revenue than your proposal; therefore it is less expensive to the States. I think you can see why we favor it when many State unemployment trust funds are still in less than solvent condition.

I want to bring that to your attention. In so doing, I want to tell you that we have not, as a group, taken a stand on whether FSC should be extended. I think there are two reasons for that. Our membership obviously is as diverse as the 50 States. Some States are now having the lowest unemployment rates they have had in a long time; and as you have heard today, many States are still having the highest unemployment they have had for any length of time. Because of that diverse background among our members, we chose to develop and devote our attention to the question of reform in the hope that you would not miss this time to reform EB and FSC and put a permanent solution in place. Even if you extend FSC, you will find yourselves at the end of the extension having, I think, some of the same testimony, some of the same pockets of unemployment that you have heard about today. I would encourage you not to miss this opportunity just to have the same dilemma at the end of the extension and not have made progress toward a permanent program.

As we pointed out in our attachment, it will take 2 years to put a permanent program into place. States will have to amend their laws. So I would encourage you to work on that permanent program rapidly. We hope that you will take our work and incorporate as much as you can.

Let me move on to a couple of other things that our testimony brings to you. I will not take time to read it to you, but I would like to commend you for putting out early in this process a program where we might respond to it. I think that the debate has been a very healthy one, and I would hope we could take advantage of that debate.

As an organization, we are against using the TUR and we are against substate triggers. We would like a world to exist that would provide substate triggers; we think targeting is appropriate. But we do not see any ability to respond with statistics that will allow that kind of targeting in an unemployment insurance program where benefits are extended on a weekly basis. We collect TUR data on a monthly basis; and sometimes for it to be really accurate it is a month or two after the fact, and this is true of all 50 States. There is not one State that has the ability to target IUR's or TUR's for a weekly benefit program, and it would take massive amounts of resources to add to the data base. And I am not sure that anyone is willing to do that to develop targeting ability.

We recommend that you ask yourselves what you want to accomplish in areas where unemployment is high. I think you will find other programs that could be targeted better than unemployment benefits to accomplish your objectives.

We have had some of these programs in past administrations. Some of them were referred to as public service employment. It may have had a bad name, but I find that having visited three European countries as the President of ICESA, that in England they are trying to cope with unemployment and have decided that

public service employment is not a bad word nor a bad program; rather they are targeting it to the long-term unemployed. I think you would find yourselves able to target that kind of program as well as economic development to those kinds of areas much better than you can find the data to respond to a weekly type situation.

Enough said about substate targeting, which we do not think is possible to do at this point in time.

We in our previous testimony gave you lots of background on what is wrong with TUR. Let me talk for just a moment on some things that we are excited about and favor in terms of Mr. Stark's bill, H.R. 1143, the Unemployment Insurance Administrative Cost Improvement Act of 1985. Having been an administrator in Idaho for 5 years, and having worked with the agency for 2 years ahead of that, there is nothing that gets me more excited or excitable than trying to talk to my private business people who pay the tax and telling them that I have a quarterly budget in the unemployment insurance program and anything I do not use is recaptured by the Federal Government.

If you run your business like I have to run mine, you will make wrong decisions about the investment of those scarce resources. You will spend it every quarter rather than thinking about long-term improvements such as in hardware or software to make the program run better with even fewer staff.

I commend Mr. Stark's bill to your careful scrutiny. There are many parts, as our testimony points out, that are exciting and we favor and encourage you to adopt. There are a few items we think are not appropriate, but overall we encourage you to look at that bill carefully.

And with that I will end my statement and see if there are any questions you want to bring to my attention.

[The prepared statement follows:]

STATEMENT OF SCOTT B. MCDONALD, DIRECTOR, IDAHO DEPARTMENT OF EMPLOYMENT AND PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

Mr. Chairman and members of the Subcommittee, my name is Scott B. McDonald. I am Director of the Idaho Department of Employment and President of the Interstate Conference of Employment Security Agencies, Inc. (ICESA). I appear before you today on behalf of ICESA, the organization of State Administrators of unemployment compensation laws and public employment offices throughout the Country.

There are a number of important issues before the Subcommittee relating to extended and supplemental benefits. In addition there are proposals for alternative forms of assistance for unemployed workers. We would also like to comment on some administrative issues that are addressed by Mr. Stark's bill, H.R. 1143.

First, I must tell you that ICESA does not hold a collective opinion regarding whether the Federal Supplemental Compensation (FSC) Program should be extended. Our members are as varied as the Country. Many states are experiencing the lowest unemployment rates in many years, in some others high unemployment persists.

Temporary supplemental unemployment programs are usually designed to address recession-related unemployment, where there is an expectation that job opportunities will once again be available when the economic cycle turns up. In deciding whether to extend FSC, some thought should be given to what kind of unemployment problems persist. If these problems are structural, and the jobs aren't coming back to these areas, something more than income maintenance will be needed to address this kind of unemployment.

A second and closely related issue to be addressed is proposed reform of the permanent federal-state extended benefits (EB) program to incorporate elements of the temporary FSC program. There are two proposals before the Subcommittee, H.R.

1072 and H.R. 646. We would like to propose a third—one we developed ourselves in response to H.R. 1072. As you know a bill almost identical to H.R. 1072 was introduced in the 98th Congress by Mr. Stark and Mr. Fease in the House and by Mr. Byrd and Mr. Heinz in the Senate. Therefore, we have had time to analyze and respond to this proposed legislation.

The authors of H.R. 1072 are to be congratulated for developing a vehicle that has stimulated so much beneficial analysis of extended and supplemental benefit programs. A subcommittee of ICESA's Unemployment Insurance Committee, chaired by R. Michael Baker of South Carolina, spent considerable time and effort analyzing the bill. They concluded that, as drafted it would create a more complicated and much more costly system than we have at present. They were also concerned about the use of the Total Unemployment Rate (TUR) as an alternate trigger. However, they found the following basic concepts of the bill to be very desirable:

A variable number of weeks would be available based on the level of unemployment in the state.

There would be sliding scale of financial responsiblity between the state and federal government—the higher the level of unemployment, the greater the federal share.

There would be a similar sliding scale between Federal Unemployment Tax Act (FUTA) revenues and general revenues in paying for the federal share—the higher the level of unemployment, the larger the general revenue contribution. Consequently, these concepts were the basis for development of an alternative proposal which has been endorsed by ICESA's Board of Directors. I am hopeful that it will be adopted by our full membership later this week. This proposal uses the Insured Unemployment Rate (IUR) as a threshold trigger. The number of weeks available in a state is determined by a tier trigger that includes extended benefits claims in the calculation as well as regular benefit claims. The proposal is less costly overall than H.R. 1072 and shifts a greater share of financial responsibility from the states to the federal goverment. A brief outline and description of the proposal are attached to my statement for your information. We would be pleased to discuss this proposal with you and your staff in more detail either at this time or after you have had a chance to review it.

The other EB-FSC reform proposal before the Subcommittee is H.R. 646. This bill would amend the trigger provisions of the extended benefits program and the federal supplemental compensation program to trigger benefits on a sub-state area basis. It would also create a new trigger mechanism—the base average unemployment rate—an average of the insured unemployment rate and the total unemployment rate.

We have not had the opportunity to do an in-depth analysis of this bill. Therefore, we hesitate to comment on the base average unemployment rate. Over the years, however, we have considered the concept of sub-state triggers. Each time, the desirable effects of targeting benefits to the areas where they are most needed has been out-weighed by the practical problems of developing a feasible and fair method to do so.

Real life isn't neat. People often live and work in different areas. Should they qualify for additional weeks of unemployment, based on where they live, or where they worked? There will be inequities whichever is chosen. There will be unemployed people who formerly worked side by side but live in different areas, one qualifies for additional benefits and one does not; or next door neighbors who worked defferent places and one qualifies and the other doesn't; or among people claiming benefits at the same local office, some qualify for additional weeks and others do not. This won't seem fair to those who are not eligible. There is also the possibility for abuse, using a friend's address or a post office box in the high unemployment area in order to qualify for additional weeks of benefits. In addition to the equity issue there are practical problems in using sub-state unemployment data. The TUR data are available only on a monthly basis, several months after the month for which the data were collected. Because of the small small sample size, there is also a wide range of variability. Sub-state IUR data are not currently developed in most states. Development would require employers to report in more detail each worker's place of employment. Some way of dealing with people who work in several areas for the same employer would have to be developed also. Local IUR data would be very volatile due to seasonal unemployment patterns. For reasons of both equity and practicality, we urge you to reject the concept of area triggers for unemployment benefits. Other forms of assistance to the unemployed that are not certified on a weekly basis and are not entitlements, such as grants for econmic development, training or public service employment projects seem more appropriate for sub-state targeting.

The provisions of H.R. 758 encourage states to make various modifications to state unemployment compensation laws to promote training for UI claimants. H.R. 759 would establish demonstration projects in two states that would permit claimants to receive funds for training or relocation assistance in lieu of future entitlement to extended or supplemental benefits. Any of these ideas should be tested and carefully evaluated before any consideration is given to encouraging widespread adoption.

Another proposal which we understand will also be before this Subcommittee is Mr. Stark's bill H.R. 1143, the "Unemployment Insurance Administrative Cost Improvement Act of 1985". This bill would make a number of significant improvements in the UI program, including removal of state UI trust fund accounts from federal budget totals and increased flexibility in the use of administrative funds.

State unemployment trust fund accounts were included in the federal unified budget by Executive Order in 1968. This action has focused federal attention on UI benefits when cost savings to reduce the budget deficit have been considered. Federal restrictions on the payment of UI benefits creates a false sense of savings since these state monies cannot be used for any purpose other than UI benefits. We wholeheartedly endorse Mr. Stark's proposal to exclude State UI trust fund monies from federal budget totals beginning in FY 1990.

We also endorse Section 4 of H.R. 1143 which would permit states greater flexibility in the use of administrative funds. It would allow states to use unexpended funds in subsequent (calendar) quarters and to retain half of any staff savings to be used for program improvements (either staff or nonpersonal services).

We also support improved data processing capabilities and more efficient administrative practices. However, with sufficient funds, this can be accomplished without legislation. One of the major strengths of the UI system is its ability to meet local labor market needs. Establishing specific administrative practices in federal law would do more harm than good. However, ideas for better administrative practices and procedures will be gladly accepted by states.

Mr. Chairman, this concludes my prepared remarks. I will be happy to answer any questions you might have.

EXTENDED SUPPLEMENTAL UNEMPLOYMENT COMPENSATION REFORM PROPOSAL
HIGHLIGHTS

Threshold trigger

A state will trigger into and out of the program based on its 13-week average insured unemployment rate. The state will trigger on whenever the 13-week state IUR equals or exceeds 5 percent and remains at or above 5 percent for two consecutive weeks.

States will have the option of requiring a 120% increase over the prior two years in addition to a 5% (13 week average) IUR in order to trigger "on."

Tier triggers

When the program is triggered on, the maximum number of weeks available in a state will be determined by a tier trigger that is calculated independently of the threshold trigger.

A state will begin an EB period in Tier I. After the first 13 weeks that the program is in effect, a tier trigger calculation will be made by determining an average IUR for the previous 13 weeks that includes regular program weeks claimed plus regular program exhaustees.

All subsequent tier trigger calculations will use regular program weeks claimed plus extended program weeks claimed to calculate a 13-week average IUR.

Tier	Tier trigger IUR (percent)	Maximum weeks	Financing (percent)		
			State	FUTA	General revenue
I	5.00 to 6.00	13	25	25	50
II	6.01 to 7.00	18		25	75
III	7.01+	26			100

The Unemployment Insurance Committee's analysis of S. 1784, the Byrd-Heinz bill, led to development of an alternate proposal to reform extended unemployment compensation programs.

A proposal which acknowledges many of the aims of the Byrd-Heinz bill while correcting problems that the Committee found with it is outlined below.

Threshold trigger

A state will trigger into and out of the program based on its 13-week average insured unemployment rate. The state will trigger on whenever the 13-week state IUR equals or exceeds 5 percent and remains at or above 5 percent for two consecutive weeks; EB will be payable beginning the third week following the second consecutive week that the 13-week average IUR is 5% or greater.

States will have the option of requiring a 120% increase over the prior two years in addition to a 5% (13 week average) IUR in order to trigger "on."

A state will trigger off whenever the 13-week state IUR drops below 5 percent and remains below 5 percent for two consecutive weeks; no EB will be paid beginning the third week following the second consecutive week that the IUR is below 5%.

There is one exception to the trigger mechanism described above. There will be a minmum period of 6 weeks that the program will be "on" or "off" after a trigger indicator.

Tier triggers

When the program is triggered on, the maximum number of weeks available in a state will be determined by a tier trigger that is calculated independently of the threshold trigger. The tier trigger is used only to determine the number of weeks available, not whether the program is "on" or "off." A state can change tiers only at 13-week intervals. A state will begin an EB period in Tier I. After the first 13 weeks that the program is in effect, the initial tier trigger calculation will be made by determining an average IUR for the previous 13 weeks that includes regular program weeks claimed plus regular program exhaustees. All subsequent tier trigger calculations will use regular program weeks claimed plus extended program weeks claimed to calculate a 13-week average IUR.

Duration of benefits

When the tier trigger is between 5% and 6% the lesser of 13 weeks or 50% of the original entitlement will be available (a Tier I period); when the tier trigger is between 6.01% and 7% the lesser of 18 weeks or 70% of the original entitlement will be available (a Tier II period); when the tier trigger is 7.01% or greater, the lesser of 26 weeks or 100% of the original entitlement will be available (a Tier III period).

In order to qualify for the program initially, the claimant must have a current benefit year. He/she may continue to claim benefits for the duration of his/her entitlement as long as the program is triggered "on." If the benefit year ends during that time it has no effect of his/her eligibility.

When a state drops from a higher tier to a lower tier, claimants who have established claims at the higher level will remain entitled to their remaining balance unless the program triggers off (i.e., threshold trigger drops below 5 percent for two consecutive weeks).

When the state moves to a higher tier, duration will be increased for claimants in current claim status and those who exhausted during the past 13 weeks. There is no requirement for a current benefit year to qualify for an increase in duration. The amount of additional benefits will be equal to the difference in what the claimant would have been entitled to had the initial EB claim been filed during the higher tier period and the amount he/she has already received. No more than 26 weeks of EB can be paid during any one benefit year.

Interstate claims will be based on economic conditions in the liable state.

Benefit financing

Funding for the program will come from state UI tax revenues, Federal Unemployment Tax Act (FUTA) revenues and federal general revenunes. During the Tier I (13 weeks maximum) period 25 percent will be funded by state UI, 25 percent by FUTA and 75 precent by federal general revenue. During a Tier II (18 weeks maximum) period 25 percent will be funded by FUTA and 75 percent be federal general revenues. During a Tier III (26 weeks maximum) period 100 percent will be funded by federal general revenues. Claims based on wages from reimbursable employers will be 50 percent charged to the employer and 50 percent charged to federal general revenue for a Tier I period; 25 percent charged to the employer and 75 percent charged to federal general revenues for a Tier II period; and 100 percent charges to federal general revenues during a Tier III period.

Financial responsibility for an individual's benefits will be set at the time the initial extended claim is processed based on the tier level the state is in at that time. If

the individual becomes eligible for additional weeks as a result of the state moving to a higher tier the additional weeks will be financed under the scheme of the higher tier.

Qualifying and eligibility

There will be no federal qualifying or eligibility requrements for the program. The state will determine work and earnings requirements, disqualifying conditions and eligibililty criteria, including job search requirements. Most state require claimants who remain unemployed for longer periods to consider, as suitable work, some jobs paying less than their previous employment. States would also have the ability to tailor work search requirements to local labor market conditions.

Administrative funding

Experience with the current EB and FSC programs indicates that some changes should be made to provide more timely administrative funding. The current use of the ETA 2103 and ETA 2104 process of funding states for Extended Benefits should continue with minor changes. The current MPU's seem adequate for the workload items under the proposed program. The NPS dollars and Support positions would be computed by the state using estimated workloads and shown in the ETA 2103 at the beginning of an EB period with the NPS percentage increased to the same as in the regular Base allocation instead of the current contingency percentage of 12 percent. The start-up cost and support for extended programs require separate and additional software adjustments, computer runs, file space, special forms, etc. which increase the NPS and support over the contingency rate. These costs are currently being absorbed by the State. The Extended Benefits program has the same support needs as other UI programs and NPS support should be funded at the same rate. Also the Extended Benefit program would be funded separately from the regular UI programs (ETA 2103 and ETA 2104 submitted and considered separately for each program). Earnings over the ETA 2103 estimates would be funded on subsequent ETA 2104 requests.

Effective date

The effective date of the new program wouold be two years following the date of enactment.

Mr. PEASE. Well, thank you very much, Mr. McDonald. We are often promised work by witnesses who come before us. It is not very often that the witnesses actually come through with what they promised. You have done so and we are grateful to you.

I am sorry that I had not had a chance to look over in detail your statement so you and I could engage in a conversation, but I certainly will assure you that I will look it over and we will weigh the suggestions that you have.

Would you refresh my memory on why you think a TUR is not feasible?

Mr. MCDONALD. Yes. The major weaknesses of a TUR trigger is its variability. It swings all over, and in a State like Idaho, for example, the population samples are so small that in relationship to how we are required to do it with BLS, and we work hand in glove in that process, it can fluctuate so badly from one month to the next that I am having difficulty explaining that fluctuation even though it has been seasonally adjusted. There are many States just like Idaho where the sample is so small that it cannot possibly do what you want it to do as a trigger for coming on or off a program.

Mr. PEASE. Well, tell us, do you calculate your own TUR in Idaho or do you use the Federal?

Mr. MCDONALD. I refuse to totally do it the way BLS wants us to do. We add to the sample and we add to the 45-step methodology, so I am always in trouble with BLS.

Mr. PEASE. You say the sampling is small. What sort of sample do you use, how many people?

Mr. McDONALD. I think the household survey is about 3,000 in the BLS survey in Idaho. I know we just barely peaked at a million people, but that just does not cut it in a State like Idaho. So we have added to that survey ourselves, but even our added data do not allow us to be comfortable with anything below the State, as a county or substate district or anything that would allow us to target.

Mr. PEASE. A lot of people feel that the TUR understates unemployment. Would you agree with that?

Mr. McDONALD. Certainly I would. You know, I agree with it on its face. I do not know how anyone calculates what the interstate is because no one tracks it, but it has always been that way.

To the extent that we are collecting data now similar to the way we collected it 10 or 15 or 20 years ago, we have always understated that problem. So as an indicator of need it is as good now as it has ever been. It is just that as an indicator of substate targeting or State targeting it would not do the job for you.

Let me give you just an example of the difficulty you would find yourself facing. Here we are saying, OK, people that are served by this local office, some of you because of the targeting mechanism are eligible for an FSC extension, some of you are not; and they may ask, I live right next door to that person. Yes, but you worked in another location. So you are going to have to decide whether it is the residence or whether it is at the place they worked; Once you have decided that, you are going to have a problem of equity and the list goes on. I think you are going to get more complaints about targeting using data that is so imprecise that you are going to back out of the proposal 6 weeks into it.

Mr. PEASE. You tell me that there are a lot of fluctuations in the TUR. What is the current TUR for your State?

Mr. McDONALD. It is estimated last month at 5.9.

Mr. PEASE. 5.9.

What would be the range of variation from month to month? Are you talking about it going down to 2.9 and then up to 8.9?

Mr. McDONALD. No. It is just that estimate when it comes out, the press does not watch it very closely and neither does Congress. A month later I adjust it to something that is an actual. In other words, what you get nationally is what the States roll up and they adjust a month later to something that is more actual, and that adjustment can fluctuate from as small as two-tenths to as high as four-tenths to five-tenths in adjustment from our estimate.

Mr. PEASE. Well, looking at the reestimated TUR, after you are through adjusting it, what kind of variations do you see in that from month to month? Let us say that the unemployment, actual unemployment as far as you sense it does not change at all and that the only changes that would occur in the TUR as finally calculated by you would be the result of your statistical sampling techniques. What kind of variation would you expect to get? Say 5.9 is the median. How far above and below that are you going to go?

Mr. McDONALD. I suspect that we have underestimated and so the real unemployment rate for Idaho is like 6.5 instead of 5.9.

Mr. PEASE. That is not my point. Let us say that you follow your normal procedure in calculating the TUR for Idaho. Let us say you follow that procedure 7 days in a row. You do a completely differ-

ent sample 7 days in a row. How much of a variation from 5.9, if that is what it is, would you expect?

Mr. McDONALD. I have no reason to believe that the variation would not be what I just gave you on our real adjustment, anywhere as low as two-tenths of a percent up to five-tenths. I think it would still stay in that range.

Mr. PEASE. Now, you propose that we use the IUR; is that right?

Mr. McDONALD. That is correct. We are saying go back to IUR. In fact, if you really look at some of the changes you made to the EB Program, you collectively, Congress, really promoted by this administration, I think you could go back and undo some of those changes and have a better IUR than now exists.

The relationship between the IUR and TUR in terms of a gap is really caused by legislative changes.

Mr. PEASE. Sure.

Are you recommending then if we use the IUR that we would change the definition of IUR from what it is currently?

Mr. McDONALD. We are saying put back into the calculation, as our proposal suggests, those that exhaust, the exhaustees on that 13-week average. We are saying put it back in. It used to be in there. In 1981 you took it out. Put it back in.

We are also saying give States the option to have 120 percent if they want. Do not mandate it. Do not mandate both thresholds.

Mr. PEASE. So you would propose that in the definition of IUR we include those who are collecting EB?

Mr. McDONALD. And exhaustees, every 3 weeks put the exhaustees back in the process of calculating them. The 1981 amendments took the exhaustees out.

Mr. PEASE. You do actually change the threshold here. You would not trigger on EB at all until a State received 5 percent IUR; is that correct?

Mr. McDONALD. That is correct.

Mr. PEASE. Do you have any notion of how many States would be triggered onto EB now if we were to use your system?

Mr. McDONALD. The staff of ICESA tells me if we came here with that trigger notice that we could give you a number on that and we did not, and I apologize for not having that with me. We could tell you then exactly how many more States would be on it right now if our proposal was in effect. This would not be that difficult.

Mr. PEASE. Can you do it?

Mr. McDONALD. We did not. I cannot at this moment.

Mr. PEASE. Will you provide it for the record?

Mr. McDONALD. Yes, we will provide that.

[The information follows:]

Four States: Idaho, Montana, Oregon, and Washington would potentially be "on," in addition to the three now "on" EB. (Data as of the week ending February 16, 1985.)

Mr. PEASE. You had granted the current IUR is not satisfactory as a measuring device for unemployment?

Mr. McDONALD. I think the IUR is satisfactory. The way the legislation muffed it around has caused it to be less useful.

Mr. PEASE. The current IUR.

Mr. McDONALD. We say defined as EB is not very useful. I cannot disagree.

Mr. PEASE. In the bill I introduced we propose to use IUR or TUR depending on which one would qualify a State for more weeks, and the thresholds for the TUR are really quite high, 9, 10, 11, 12 percent—historically, very high levels of unemployment. One reason that we have set them so high is to account for the softness of the accuracy of the TUR.

Given that allowance, the high threshold figures, will you still object to using TUR?

Mr. McDONALD. The organization chose to redefine the IUR as a better tool. We struggled with that question long and hard, and I think when a State like New York and a State like Idaho can agree that our proposal is better even though there are some things about your bill that New York buys, I think we have come a long way to helping propose something that can get through Congress as well. So I would still go back to our statement. We struggled with what you are suggesting and still came down in favor of an IUR version as indicator of need.

Mr. PEASE. Sure.

Well, I understand that. Getting the bill through Congress is the whole name of the game.

One thing that I am worried about is that the current administration has a lot of philosophy invested in the 1981 changes in the definition of IUR, and I suspect that it would be very difficult to move this administration to a revised definition of IUR.

Mr. McDONALD. I think you are correct.

Mr. PEASE. Two years ago I sponsored legislation to change the definition back again to the way it used to be. That was not greeted with great enthusiasm by the administration.

I guess what I am saying to you, if our best political calculation is that it will be well nigh impossible to change the definition of IUR in the way that you suggest, would you then encourage us to stick with IUR nonetheless and not have States trigger onto EB in order to provide the TUR as an alternative?

Mr. McDONALD. I personally would not and I do not imagine the organization would either.

Mr. PEASE. It is very helpful for us in clarifying your position. I think IUR is more definite and people feel more comfortable when we are counting actual people and not engaging in sampling.

What do you think about reachback provisions? We have had several witnesses testify today that we ought to include a reachback provision in an extension of FSC.

Mr. McDONALD. Again this is outside the area of testimony, but I can personally tell you if you perform the activity in terms of the extension, assuming that is favorably moved through Congress and signed by the President, by the time the current one ends, then you should not have to reach back, if you define your program adequately, what was it, 18 months ago. I think part of the thing that drove our organization to seriously think about a permanent program was the many switches that came through the extension of FSC 1, 2, 3. There has got to be no claimant that understands the differences in those programs and why sometimes they were eligible and sometimes they were not, because no matter how hard we

tried to administer that program, and we tried hard, we do not understand it.

Mr. PEASE. Sure.

Mr. MCDONALD. So you are really going to be asking for trouble when you start reaching back to pick up some and not others.

Mr. PEASE. I will give you some little insight into the operation of the sausage factory that we operate around here. We come up with what we think is a halfway rational system, and then we are told the administration after a lot of cajoling and arguing and so on, well, they will go along with x billion dollars and not a penny more and we have got to squeeze our program in that figure. So we get the old computers whirring, and what we wind up with is a program very difficult for you to administer.

Mr. MCDONALD. If the administration asks a question, what did they think they saved with the changes in EB. Look at what they spent on FSC anyway and who spent it; they did not make any savings to the Federal Government.

Mr. PEASE. We have FSC expiring at the end of March, and in your State and every other State, if the extension is not made, people are going to be losing benefits in midstream.

What would be your recommendation or your association's recommendation for the policy that Congress ought to pursue between now and March 31?

Mr. MCDONALD. Again, as I mentioned, the organization did not take one. I can personally tell you as desirable as targeting is and as low as Idaho's unemployment rate is as a State, we have got places where they need it. We have a 10-percent unemployment rate in northern Idaho. So I am going to tell you I want FSC personally from Idaho extended while we put this permanent program into place because it will take legislators of the 50 States 2 years to accomplish that. That is how long it took to get EB in place. So if you ask me from an administrator's standpoint, outside of the testimony, I would say extend it, and at the same time charge us to get out and put a permanent program in place so 2 years from now we would not have to question that.

Mr. PEASE. And if we were to pass something similar to my bill and your suggestion where essentially we combine EB and FSC, how long would it take to put that into place? In other words, FSC expires at the end of March. Is there any way whatsoever where benefits to those workers could be continued in April and May and June with a combined EB/FSC Program?

Mr. MCDONALD. No; you will have to give the States their traditional lead time to put a permanent program in place so you are going to have to deal with both issues, extension and a permanent program, and then it will take 2 years to get it in place and handle the problem of immediate extensions. But that is why it is so crucial you do not miss the opportunity just to look at one side of the issue. That is always the lead time for any program that the State legislators have to deal with in terms of amending their laws.

So you have to say, OK, let us start that race together and extend the program for 24 months rather than 18 and put the permanent one at the same time down that road so they can meet to get it.

Mr. PEASE. Unfortunately, Congress does not operate as efficiently as State legislatures, and I am afraid if we extended the FSC Program, it would immediately take the pressure off the reform movement, and we would start thinking about reform again a month before FSC expired next time. I do not know how to get around that, but that really is a problem.

One last question. Do you have any experience in your agency with either JTPA or Trade Adjustment Assistance?

Mr. MCDONALD. I have experience with both where I was administrator for both programs in the State of Idaho.

Mr. PEASE. Can you give me some general feel for your experience which program works the better, the best, or whether either one works, whether there is a significant duplication, whether one approach, one general approach is preferable to another?

Mr. MCDONALD. TAA is targeted to an industry that is closed. JTPA is supposedly targeted, in that allocations go to the SDA level, but the resources are so paltry in relation to the need that I would not want to pit one program against the other and say one is duplicative of the other. The need is larger than both. We have found that JTPA, contrary to the view of this administration, is creaming in Idaho. I cannot speak for the rest of the Nation; but when you look at the educational level of the youth in CETA versus the educational level in JTPA, there is no question but we are creaming in Idaho and we do not want to do that. Unless we take the prerogatives away from the PIC's that are mandated to pick the service delivery areas, we are stuck with the results.

Mr. PEASE. That is interesting. One difference between JTPA and TAA is that there is an income maintenance component of TAA that is not with JTPA.

Do you find that this makes any significant difference at all in the ability of people who take advantage of those programs?

Mr. MCDONALD. There is no question in my thought that that is the other part of the creaming that drives JTPA. Some people, as you heard testify before you here today, have training because they could not afford to not eat long enough to get through all of the training.

Mr. PEASE. I am interested in your comments about creaming and JTPA. There is a self-selection process. Really people who can afford to sign up for that are the ones who have spouses working or parents able to give them room and board and that sort of thing, provide their basic necessities.

Mr. MCDONALD. There is a little more than just self-selection. The process is driven by performance-based contracting. If you perform, you get your money at the end of the contract. If you do not, you do not get paid. If those that are selecting participants for the program see three or four people and you can only let one in that group, you are going to cream to make sure you survive at the end of the process.

Mr. PEASE. Sure

Well, Mr. McDonald, it has been a very long afternoon, day, I guess, and I want to again apologize for making you wait so long and to thank you for giving us the benefit of your thoughts and those of your association for an alternative plan. I guarantee I will look this over very carefully.

Thank you very much.
Mr. McDONALD. Thank you.
Mr. PEASE. This concludes the hearing.
[Whereupon, at 3:40 p.m., the hearing was adjourned.]
[Submissions for the record follow:]

EMPLOYERS' TASK FORCE ON UC/WC,
Montgomery, AL, February 26, 1985.

Hon. HAROLD FORD,
Chairman, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: With such a short notice of Committee Hearings on H.R. 646, H.R. 759, H.R. 890 and H.R. 1072, it was impractical to request presentation of oral testimony. We therefore respectfully request the following statement be accepted in lieu of a personal appearance.

STATEMENT

A need for some program to provide unemployment benefits to the longer-term unemployed than is provided under regular state laws is recognized. This special need has been demonstrated very forcefully during those years when technological changes or economic conditions create unemployment to large numbers of individuals and the surrounding circumstances preclude their return to fruitful employment in a brief period of time. An adequate program to provide a reasonable extension of benefits to individuals who have had substantial attachment to the labor force is justified. The provisions of H.R. 646, H.R. 759, H.R. 890 and H.R. 1072, however, go far beyond providing a reasonable program.

We would like to register our opposition to these bills, as follows:

H.R. 646

To include a state's total unemployment rate in the criteria to "trigger" on extended benefit program bases the criteria on a statistics totally unrelated to the facts and figures relating to the individuals whose benefits would be extended. There is no relationship between the insured unemployment rate (IUR) in a state and the total unemployment rate (TUR). It is only the IUR which measures the unemployment level of individuals who could possibly be affected by an extension.

We see no need to alter the present formula which provides a constant eligibility period and can be computed and projected sufficiently in advance to implement procedures and notification for the efficient administration of the program.

The current economic climate in this state, and in the nation as well, has sufficiently improved to the point that we see an absolute lack of need for an extension of Federal Supplemental Compensation (FSC) as provided by H.R. 646, as well as by H.R. 890. The administration of FSC in its present form creates serious administrative and cost problems for the states in their efforts to manage it. The more liberal eligibility and different qualifying and disqualification provisions from the state's law for its regular program are almost insurmountable. To further complicate these problems by providing for substate areas (county or parish) would be unforgivable. Experience has shown that the economy of one area of the state has an affect, to varying degrees, on the state as a whole.

Repeal of the federal provision requiring the various states to deny benefits to employees of educational institutions and agencies during periods between terms or years would result in a staggering increase in costs to the unemployment insurance program. To pay many employees of such institutions for weeks when schools, colleges and universities are not in session would help to bankrupt the educational budgets in states already stretched to the limit to fund capital and quality improvement demands from the system. The current provision to deny benefits during such periods is reasonable and justified and to remove them is ludicrous.

H.R. 759

It is always wise, and many times we wished Congress had been as wise, to "test" programs before they were mandated to be implemented. To include, however, for a lump advance payment to individuals for training, retraining, job search or relocaton have two things wrong.

First, such programs should not be permitted to pollute the unemployment insurance programs from its original and destroy the actuarial soundness of the program.

Secondly, to prepay a lump sum advance for the various objectives of this bill is an invitation to trouble and possible fraud. It seems the prior experience with other

job search and relocation programs would have given adequate experience to prove the unworthiness of such projects.

We voice no particularly strenous objection to a program to provide training or retraining to individuals who lack the skills to hold a job or one whose employment has "run off and left him" through technological changes. Nor, necessarily one to assit an unemployed workers to locate a job and relocate to it. But we feel strongly such a program should be outside the unemployment insurance program, not paid for by unemployment taxes but rather from general revenue.

H.R. 1072

Our opening paragraph of this statement expressed our agreement with some reasonable type of extended benefit program. Other statements relating to the previosly noted bills also apply to this bill. In addition to those comments, we are of the opinion that an extension of 35 weeks is far too long. This would mean payment of up to 61 weeks. Two plus months over a year! Adn without further attachment to the labor force! We see nothing wrong with retaining the current extended benefit formula, criteria and duration. No a need to do otherwise!

GENERAL STATEMENT

The following expresses our collective strong beliefs about unemployment insurance in the United States.

1. A strong, effective and efficient unemployment program is essential to the economic well-being of this country.

2. Unemployment insurance is not a welfare program but rather an actuarially sound insurance program designed to provide the means for involuntarily unemployed workers to pay their non-deferrable expenses over relatively short periods until they are able to return to work.

3. Eligibility for benefits should be based on a substantial attachment to the labor force. These tenets apply to the continued attachment by an individual during periods of unemployment through a frequent and conscientious search for work as well as in determining monetary eligibility.

4. Any supplemental program to provide benefits in addition to regular state benefits should remain within the parameters of the basic objectives of the UI program. Further, the criteria for entitlement and eligibility to such supplemental or extended benefits should be the same as those required by the law in the state in which the individual is receiving benefits. A proliferation of qualifying and disqualifying provisions do little except to create massive confusion for state agency personnel as well as the unemployed worker.

5. Adequate skills and mobility of unemployed workers assist in the early return to profitable employment, therefore making the UI program become more cost efficient. Training, retraining, job search and relocation, however, were never intended by the designers of the early concept to be the responsibility of unemployment insurance.

The need for such programs is recognized. Economic conditions and technological advancement result in many individuals, though adequately skilled for jobs which either no longer exist or are available in much fewer numbers, do not have the skills demanded by next month's or next year's labor market.

Funding should be from a general revenue source rather than from FUTA tax on employers.

6. Repayment of advances to pay extended and supplemental benefits made from the general fund are currently being gradually repaid by the assessment of additional tax on employers under the Federal Unemployment Tax Act. This repayment should be allowed to continue until the debt is retired. Very serious consideration should be given before this situation is again allowed to happen by the creation of new and unneeded supplemental programs.

Mr. Chairman, we urge that these comments, and those of our friends from the other states, be given serious study prior to any action on the subject bills and that favorable consideration be given to the concerns expressed in this statement.

Respectfully submitted,

ALLEN E. OWEN,
Chairman, Unemployment Compensation Committee
(And 8 others.)

STATEMENT OF HON. LANE EVANS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, the existence and effectiveness of federal and state programs in response to our nation's unemployment is of great concern to me as the Representative of the 17th District of Illinois. The most recent official statistics indicate that my District has an unemployment rate of 17 percent.

The economy of the United States is not quite as healthy as our Administration would have us believe. While there has been a general economic upturn, recovery and renewed growth has yet to reach many sections of our country. Those areas which are experiencing economic recovery are in many cases benefiting from industries which are currently less vulnerable to economic decline, such as the high-tech and service industries.

Meanwhile, many of our Midwestern and Northeastern states, traditional manufacturing centers, are suffering through some of their worst times in years. This is not because heavy-industry no longer has a place in the American economy. Rather, this industry is more sensitive to outside influences, particularly macroeconomic conditions. The soaring deficit has compounded the internal problems of our nation's manufacturers through its adverse impact on interest rates and a persistently strong dollar. These factors have, in turn, increased the cost of operating capital and production, and reduced the demand for these products overseas.

The 17th District of Illinois, which I represent, lies in the heart of what has been aptly dubbed the "rust belt". In a recent special order, I noted that my District has been decimated by the decline of our once proud manufacturers. This is due in great part to the macroeconomic factors I previously mentioned, coupled with the steady demise of our agricultural sector. In short, the so-called economic recovery is nowhere to be seen in the 17th District, and my constituents are faced with an increasingly gloomy economic picture.

The Administration's reaction to the critical problems of the beleaguered Midwestern and Eastern states has been one of neglect. In a manner that is true to form with their position on the deficit, the environment, civil rights, and numerous other important areas, the Reagan Administration has pretended that this problem really doesn't exist. The pleas for action have been drowned out in a steady stream of upbeat and sugar-coated rhetoric. This facade, while effective at the polls, has best served to frustrate any attempts to address the needs and concerns of thousands of unemployed Americans.

Therefore, today I urge that this Subcommittee, and Congress, provide the assistance and training that is so desperately needed by our unemployed. The extended benefit program and the Federal Supplemental Compensation (FSC) program have been an invaluable aid to unskilled and dislocated workers. In the 17th District, this assistance has helped to ease the shock and burden of those individuals who, in many cases, have lost their only source of income. In addition, it has allowed many citizens needed breathing room in order that they may try to put their lives back in order. This may involve taking part in valuable job training and retraining programs, or simply efforts to find other employment.

The Administration had painted these programs as government handouts to individuals who are too lazy to work. They claim that every American can make it, if they only have the desire to do so. They act as if those individuals out of work are an anomoly, that their inability to find employment is contradictory to the very values which we as Americans hold so dearly—God, country, and hard work. This notion is an outrage.

My District has a great number of dedicated citizens, who because of situations beyond their control, are out of work. They have made every effort to find employment. In many cases they have excepted any position, even part-time, to make ends meet. They have had to swallow their pride to stand in unemployment lines, and contend with the pressures and strains that unemployment has placed on their family life. To those Americans who do not have to worry about their next meal, this scenario seems almost unreal. Nevertheless, it exists. And we have an obligation to see that every effort is made to help these individuals through these trying times.

I have recently introduced a legislative package which seeks to address this problem: the Worker Retention and Reemployment Plan. A major component of this legislation is a Community Renewal employment bill, providing jobs for the long-term jobless in high unemployment areas. Another component of this package would extend the FSC program through September 30th of this year. The Truth in Unemployment Statistics resolution, which currently has 25 co-sponsors, directs that un-

employment figures reflect those individuals who are currently left out of the "official" figures.

The estimated cost of this legislation would be $3.5 billion for Fiscal Year 1986. The Administration, with its born-again budgetary prudence, will most certainly view this package as an exorbitant and inadmissable expense.

However, I believe we must point out that the Administration's budget proposal for FY 1986 includes $3.7 billion for research and development for the "Star Wars" initiative. I find it incredibly ironic that such funding can be provided for a controversial defense technology, without second thoughts, while funding to benefit our friends and neighbors, and ultimately the entire country, must be fought for tooth and nail. I strongly believe that we must make our nation's citizens our top priority. I urge you to join me in this behalf.

STATEMENT OF SOUTHERN BROWN, GREATER BIRMINGHAM UNEMPLOYED COMMITTEE

The members of the Greater Birmingham Unemployed Committee thank you for the opportunity to address you on the critical issue of federal supplemental compensation. We regret that we are unable to afford the cost of a trip to Washington to give this testimony in person. In the future we hope that you will consider having more field hearings so that your constituents who are affected will have a chance to speak to the merits of such legislation.

Jobs are scarce in Birmingham. There are thousands of people in all walks of life who want to work but cannot find a job. As you may know, Birmingham has not been fortunate enough to experience the "sunbelt phenomenon." We have been primarily an industrial city, a steel city, and we have suffered greatly from plant closings and massive unemployment. We still have the dubious honor of being among the three highest states in unemployment. In Birmingham, the official unemployment rate is 14%, and we all should know that that figure severely underestimates the problem. In fact, counting discouraged workers and involuntarily underemployed workers, 19.5% of our labor force is unemployed.

So the crisis endures for us in Birmingham. Yet 75% of the unemployed in our state are not receiving any unemployment benefits. Furthermore, a two-parent household is not eligible to receive welfare, and so also not eligible for Medicaid. We have nowhere to turn: there are not enough jobs, unemployment compensation is inadequate, and there is no help beyond the short duration of unemployment compensation. The maximum amount a person in Alabama can draw is $120 per week for 26 weeks. That's why we call unemployment compensation "pennies." We urge you to remember our situation when you vote on extension and reform of Federal Supplemental Compensation.

We need a stronger program for the extension of unemployment benefits. At the very least, it is imperative that the present program be continued. We urge you to incorporate the following changes into the program and then extend the program for at least 18 months:

1. An unemployment compensation program that covers those who are unemployed through no fault of their own for the duration of their unemployment;
2. A "reach-back" provision which will give more weeks of benefits to the 75% of our unemployed who have run out of their benefits;
3. A requirement of uniformity in benefit levels, so that the unemployed in states like Alabama do not continue to pay unrealistically low levels of benefits;
4. A more accurate method of calculation of the need and state eligibility for extensions. It is ridiculous that we have suffered among the highest unemployment rates for the last few years, yet have not been eligible for Extended Benefits.

STATEMENT OF THE ILLINOIS STATE CHAMBER OF COMMERCE

The Illinois State Chamber of Commerce opposes legislation pending before the United States House of Representatives which would extend the Federal Supplemental Compensation (FSC) program beyond its March 31, 1985 expiration date.

We oppose the program's continuation because the basis for its establishment was debatable when it was initially introduced and the rationale then applied by the proponents clearly does not now apply. The FSC program was adopted in 1982 as a "third level" protection in the unemployment insurance (UI) system. The intent was to continue UI payments to those who had exhausted both regular benefits and extended benefits (EB's) during that period of a severely depressed economy and very high unemployment.

It is incongruous to us that the FSC program could be continued when extended benefits, the "second level," are no longer paid in all but two states (Alaska and West Virginia) because nationwide the insured unemployment rate (IUR) has dramatically decreased. The FSC program should be allowed to sunset on March 31, 1985 based upon the following most recent U.S. Department of Labor information:[1] 23 states have an insured unemployment rate below 3%, yet an additional 8 weeks of FSC are paid in those states; 39 states are below a 4% IUR extended benefit trigger level; and 48 states are below a 5% IUR extended benefit trigger level.

The FSC program was designed to meet the needs of a recession, but we are now in a period of substantial economic growth. The IUR has not decreased because people have exhausted benefits, but because more people are employed than ever before in our history. If allowed to expire, Congress still has the prerogative to reestablish FSC during any future recession.

It is fair to characterize the FSC "trigger mechanisms" as the most complicated and incomprehensible of any unemployment insurance program. Federal Supplemental Compensation is now an unnecessary program which will only contribute to our federal budget deficit.

We urge you to reject legislation which would prolong the Federal Supplemental Compensation program.

---

[1] U.S. Department of Labor, ETA, UIS Division of Actuarial Services, February 11, 1985.

CC: J. Frick
S. Bailenson
K. Clark
A. Wagner
J. Stohldrier
M. Friganza
J. Kaar
R. Rittenberg
R. Wilson

FEB 19 1985

CC'ALL

TRIGGER NOTICE NO. 85-4

STATE EXTENDED BENEFIT INDICATORS UNDER P.L. 94-566
AS OF JANUARY 26,1985

		EXTENDED BENEFIT INDICATORS		STATUS OF EXTENDED BENEFIT
		13-Week IUR	Percent of Prior 2 Years	Periods Beginning Date (B) Ending Date (E)
	ALABAMA	4.03	78	E 6-4-83
ON	ALASKA	7.03	95	B 1-20-85
	ARIZONA	1.63	49	E 10-23-82
•	ARKANSAS	4.40	80	E 3-26-83
	CALIFORNIA	3.56	75	E 7-2-83
	COLORADO	2.15	64	E 1-24-81
	CONNECTICUT	1.82	60	E 1-24-81
•	DELAWARE	1.76	60	E 7-17-82
	DIST. OF COLUMBIA	2.13	65	E 1-24-81
•	FLORIDA	1.30	65	E 1-24-81
•	GEORGIA	2.01	71	E 1-24-81
	HAWAII	3.21	97	E 1-24-81
	IDAHO	4.69	73	E 6-16-84
	ILLINOIS	3.29	65	E 6-25-83
	INDIANA	2.78	65	E 4-30-83
•	IOWA	3.10	82	E 6-4-83
	KANSAS	2.48	70	E 11-6-82
•	KENTUCKY	3.49	65	E 3-19-83
	LOUISIANA	4.09	82	E 10-8-83
	MAINE	4.04	86	E 6-25-83
	MARYLAND	2.37	62	E 7-31-82
•	MASSACHUSETTS	2.43	71	E 6-26-82
	MICHIGAN	3.81	65	E 6-11-83
	MINNESOTA	2.88	77	E 6-18-83
	MISSISSIPPI	3.97	76	E 7-16-83
	MISSOURI	2.67	68	E 6-19-82
	MONTANA	4.53	85	E 6-4-83
	NEBRASKA	2.27	77	E 1-24-81
•	NEVADA	3.07	70	E 4-23-83
•	NEW HAMPSHIRE	1.19	50	E 1-24-81
	NEW JERSEY	3.04	75	E 6-19-82
	NEW MEXICO	2.93	77	E 11-27-82
	NEW YORK	2.95	79	E 1-24-81
	NORTH CAROLINA	2.83	76	E 5-14-83
•	NORTH DAKOTA	3.37	87	E 6-11-83
	OHIO	3.46	69	E 5-14-83
	OKLAHOMA	2.33	73	E 1-24-81
	OREGON	4.82	77	E 7-2-83
	PENNSYLVANIA	4.48	70	E 8-6-83
ON	PUERTO RICO	6.64	86	B 9-9-84
	RHODE ISLAND	3.77	76	E 5-21-83
	SOUTH CAROLINA	3.24	74	E 3-19-83
•	SOUTH DAKOTA	1.55	81	E 1-24-81
	TENNESSEE	3.06	76	E 9-25-82
	TEXAS	1.58	64	E 1-24-81
•	UTAH	2.98	70	E 6-25-83
	VERMONT	3.42	72	E 5-21-83
	VIRGINIA	1.48	73	E 1-24-81
	VIRGIN ISLANDS	3.47	87	E 8-6-83
	WASHINGTON	4.90	78	E 7-2-83
ON	WEST VIRGINIA	6.15	78	B 2-3-85
	WISCONSIN	3.95	75	E 6-18-83
•	WYOMING	2.01	46	E 8-6-83

* State does not have 6% option in its law

U.S. Department of Labor, ETA, UIS
Division of Actuarial Services
February 11, 1985

NOTE: FSC Trigger Status on reverse side

STATEMENT OF HON. ROBERT H. MICHEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, I appreciate having this opportunity to present testimony in support of H.R. 1130, the Targeted Unemployment Compensation Benefits Act of 1985.

With the existing Federal Supplemental Compensation program set to expire on March 31, 1985, there are three things we should consider: (1) Whether the need exists to continue a program of supplemental benefits; (2) How to simplify any program we do enact; and (3) What approach would be most cost effective.

The unemployment picture is obviously much improved over what it was 18 months ago when we last extended the FSC program. There are many parts of the country where the economic climate is good, jobs are available, and therefore an extra layer of federal unemployment benefits over and above the 26 weeks of state benefits would not be necessary.

However, there are other parts of the nation where unemployment remains high. In my state of Illinois, the current unemployment rate in Peoria is 9.3 percent; in Decatur it is 9.0 percent; and in Kankakee it is 12.2 percent.

In other parts of the country, the unemployment rate in Mobile, Alabama is 12.4 percent; Modesto, California, 15.1 percent; Gary, Indiana, 15.0 percent; and Duiuth, Minnesota, 15.5 percent.

What these and many other examples indicate is that a need continues to exist for supplemental unemployment benefits in pockets of high unemployment around the country.

In meeting this need, however, we need to target such benefits on high unemployment areas only. We cannot afford to make the same level of benefits available to the unemployed in Dallas, Texas, for example, with an unemployment rate of just 3.5 percent, that we do for the unemployed in Laredo, Texas, with rate nearly 5 times higher. There is a major difference in the ability of benefits ought to reflect that situation. It isn't good enough to simply make distinctions between states, because, as we can see from the example above, there are great variations within a state.

The bill I have introduced reflects the need to pinpoint benefits by targeting such benefits on high unemployment areas within states. Specifically, benefits would be determined by the unemployment rate in a Metropolitan Statistical Area or in a county if it does not fall in a MSA.

The bill seeks to combine this targeting approach with an overall simplification of the federal program. In doing so, it draws components from a bill I introduced in the 98th Congress and a bill introduced by Members of the Northeast-Midwest Coalition. Both the existing Extended Benefits Program and the FSC program would be dropped, and in their place we would substitute a new program with varying levels of supplemental benefits based on the rate of unemployment. Benefits would range from five weeks in areas of at least 9 percent unemployment to 25 weeks in areas of at least 9 percent unemployment to 25 weeks where the rate is 13 percent or more.

Benefits would no longer be determined on a statewide basis. They would be made available only to individuals living in MSA's or counties with unemployment rates exceeding 9 percent. As a result, ares with the same levels of unemployment across the country will be treated the same, and not have their level of benefits affected by what the overall state rate of unemployment is.

We would also establish a new system of federal-state cost sharing to pay for the supplemental benefits. At 9 percent unemployment, the federl government would pay 30 percent of the cost and the states 70 percent. With each additional percentage point increase in the unemployment rate, the federal share would increase by 10 percent, to the point where the federal government would pay 70 percent of the cost when the unemployment rate exceeds 13 percent.

This change relfects the fact that states containing the highest levels of unemployment would be experiencing the largest drain on their unemployment trust funds and therefore would have greater problems in financing supplemental benefits.

As the federal level, there would also be a cost sharing between the trust fund and the general fund, with the trust fund paying 100 percent of the federal contribution at 9 percent unemployment and declining to 20 percent at 13 percent unemployment.

Running down some of the other provisions of the bill, we use total unemployment rate, rather than the unsured unemployment rate or some combination thereof. The TUR better reflects the overall unemployment picture and is presently the only rate determined on a substate basis.

The level of supplemental benefits for each area will be determined quarterly.

An individual will be entitled to whatever number of weeks of supplemental benefits allowed in the quarter when he becomes eligible.

An individual will be eligible for supplemental benefits only if he is receiving unemployment benefits under existing programs on or after the effective date of this legislation. In no case would his combined benefits beyond the regular state program exceed the level allowed under this legislation.

An individual's eligibility would be based on his place of residence.

An individual would be required to participate in one week of an intensive job search program administered by the state Unemployment Service before being eligible to receive supplemental benefits.

The Department of Labor estimates the cost of the proposal at $902 million in FY 1986. This is less than half of what it would cost if the existing program were extended.

I believe this proposal, therefore, is a reasonable approach that helps to focus benefits on areas where the needs are the greatest, in the most cost effective manner. It would enable us to put in place a permanent program that would automatically provide greater benefits as the unemployment rate goes up and lesser benefits as the rate declines. We would no longer have to pass emergency legislation, usually after the crisis is upon us, as has so often happened in the past.

We would have a steady, consistent program under which everybody would know how, when, and in what degree they would be eligible for benefits. The states will know what the program is, and can therefore administer it in a better fashion. We would no longer have a program changing every year or two when it expires and when we have to act to extend it, as has happened during the past several years.

I thus would urge the Subcommittee to give this legislation every consideration, and I appreciate having the opportunity to present this testimony.

STATEMENT OF HON. PARREN J. MITCHELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Chairman and Members of the Subcommittee, I am pleased to have this opportunity to testify in support of revising and extending the Federal Supplemental Compensation program. Certainly, the FSC program must be renewed. To simply extend the program, however, is not enough. It must be modified so that adequate benefits are provided to those individuals who most need them. I am sure that after careful review of the FSC program, Congress will enact a modified version of the FSC law. Hopefully, we will act promptly so that the millions of unemployed who have either exhausted or will soon exhaust all of their unemployment benefits will be assured of decent compensation.

Today, I will confine my testimony to the need for extending the existing FSC program. The FSC program itself was set up partially in response to extraordinary levels of state and national unemployment. To eliminate this program at a time when the unemployment rate is 7.4 percent, which translates into 8.5 million Americans looking for work, would be yet another example of the insensitivity of the current administration to the millions of people in this country who are unemployed and have no source of income.

Unemployment insurance is justifiably a joint federal-state responsibility. Compensation, as you know, is available under three programs. These include two permanent programs for regular and extended benefits, and a third, the FSC program, which as stated earlier, generally is enacted during periods of high umemployment. Regular benefits are usually available for up to 26 weeks and are financed by state payroll taxes on employers; extended benefits are provided equally in states with high unemployment rates for up to an additional 13 weeks and are funded equally by state and federal payroll taxes. The third program, FSC, runs for 8 to 14 weeks, depending on a state's Insured Unemployment Rate (IUR), and is paid solely out of Federal revenues. Theoretically, the potential maximum duration of benefits under all of these programs approaches the 65 week maximum available during the 1975 recession when fewer people were out of work. However, in practice the average duration of benefits of only 35 to 40 weeks. Further, although the unemployment compensation system covers approximately 90 percent of the employed, only about 30 percent of the unemployed actually receive any benefits.

In my own state of Maryland, only about 23 percent of the unemployed are receiving benefits with incredibly high percentages of claimants disqualified for monetary and non-monetary reasons. Of those determined eligible in 1984, 41.2 percent were disqualified for non-monetary reasons including not being able to work or being available for work, voluntary separation from work without good cause and unem-

ployment resulting from a labor dispute. In addition, currently about 30 percent of claimants in Maryland exhaust their benefits even with the extra 8 weeks for FSC in effect.

The scenario is particularly bleak for Blacks. Although, civilian unemployment stands at 7.4 percent, unemployment for Blacks stood at 16 percent in August of 1984. The figures on long-term unemployment (persons out of work for at least 6 months but still looking for a job) are even more extraordinary. The number of white long-term unemployed as counted by the Labor Department has increased by a mere 1.5 percent. On the other hand, the number of Blacks who have joined the ranks of the long-term unemployed has grown an astronomical 72 percent over the last four years. As a result, one-third of all the long-term unemployed in the United States are now Black.

There is no reason for us to expect the plight of the long-term unemployed to dramatically improve. Although we are said to be in an economic recovery, the recovery will in no way alleviate the problem. A large number of long-term unemployed will remain for several reasons.

First, because of the rapid movement of our country into a highly technological base. Many of the long-term unemployed lack the appropriate skills for today's job market. Therefore, it will be necessary to provide an income support for these individuals while they adjust to this conversion.

Second, the recovery will not produce jobs quickly enough, nor will it affect all areas of the country evenly. Some states and localities, such as Louisiana and parts of Texas and California will continue to experience excessively high rates of unemployment (as high as 26 percent in some areas).

Third, the continuance of the economic recovery is not assured. The huge federal deficit, high interest rates, the enormous trade deficit and uneven exchange rates may all impede the progress of aiding the long-term unemployed.

In conclusion let me point out that the Social Security Act of 1935 created the Federal-State unemployment compensation system with two main objectives: 1) to provide temporary and partial wage replacement to involuntarily unemployed workers who were recently employed; and 2) to help stabilize the economy during recessions. Right now, I would say that it falls short on both counts. Unless the FSC program is extended the financial and personal pressures already felt by the families of unemployed workers will intensify. Homes will be lost. Health care and nutrition will suffer. Domestic conflicts will increase. The point is, that until this country can gainfully employ all those who need and want to work there is a need for an unemployment insurance system that allows people to survive at some decent standard of living for a long enough adjustment period. I believe the FSC program is vital to that system.

Thank you for the opportunity to appear and present my statement.

STATEMENT OF THE NATIONAL GOVERNORS' ASSOCIATION

Mr. Chairman, Members of the Subcommittee, the National Governors' Association is aware that a number of legislative proposals designed to change the unemployment insurance program are currently before the Subcommittee for its consideration. We are pleased that, once again, legislation in an area as critical as unemployment insurance will be the focus of Congressional attention.

The Governors believe a comprehensive review of the fundamental concepts that underlie the unemployment insurance system is long overdue. Indeed, Governor Richard F. Celeste, Chairman of the NGA Employment and Training Subcommittee testified before this body to this effect last September.

Since that time, the Governors have continued to focus on unemployment insurance policy concerns. Unemployment insurance was a subject of consideration as recently as the 1985 Winter Meeting, held February 24-26 in Washington, D.C. At this meeting, the Governors adopted an amendment to their employment security policy that reads as follows:

In the absence of a permanent, comprehensive, integrated program to address the problems of catastrophic unemployment, the National Governors' Association urges the Congress to act promptly to extend beyond March 30, 1985, the Federal Supplemental Compensation Program, so as to ensure the availability of this social safety net for the long-term unemployed (emphasis added).

Moreover, the Governors on the Committee on Human Resources heard a presentation on unemployment insurance based on a paper prepared for the NGA by the Urban Institute. The paper entitled "Unemployment Insurance Financing: Problems and Prospects" examines several aspects of the UI funding problem including its

causes, magnitude, some of its major consequences, recent state adaptations, and the outlook for program funding during the remainder of the present decade.

As we testified last year, the Governors believe the unemployment insurance system is this nation's first line of defense against the ravages of unemployment and view unemployment compensation as an integral part of the social safety net afforded our jobless workers. Between the third quarter of 1981 and the fourth quarter of 1982, unemployment averaged 9.7 percent. During this recession, 19.4 million unemployed persons received benefits under the federal/state unemployment insurance programs at a cost of $32.1 billion. We believe that it is critical to preserve and improve this vital program.

While declines in unemployment have eased the immediate crisis, it should not encourage public policy makers to assume the health of our nation's unemployment insurance system. In fact, problems experienced with the last recession brought to the fore certain weaknesses in the system and raise many questions regarding the fundamental concepts underlying the federal/state unemployment insurance programs. Moroever, because of structural changes in the economy, the nature of unemployment is different now from what it was when the current system was designed. As periods of unemployment for individual workers become longer, we will continue to see greater demands on the program.

We recognize that the Congress has taken limited action to address some of the more apparent problems of the unemployment insurance system. However, these changes have focused on "remedies" to address immediate solvency concerns and institution of quick-fix supplemental benefits programs to address record high long-term unemployment. All who have witnessed the way our unemployment insurance programs functioned in the past recession must agree that a more comprehensive review and reform is needed. We would like to review this history and to identify some of the concerns/issues that should be addressed during the reform effort.

RECENT FUNDING PROBLEMS AND SOME CONSEQUENCES

During the recession from which we now are emerging, our national unemployment insurance system was severely strained. Needed relief to millions of jobless workers was provided through the system during this period, although at great cost to both service providers and beneficiaries. Two major concerns have emerged from that experience: State trust funds will require a significant period of economic recovery to restore the reserves needed to maintain benefits during future periods of high unemployment; and with the decline in the percentage of the unemployed eligible for unemployment insurance benefits, larger and larger portions of the cost of necessary services to those without adequate financial reserves must be borne by state and local governments.

Trust fund solvency

As a result of the most recent recession, states experienced an unanticipated and massive increase in the volume and duration of claims activity. This caused considerable pressure on state unemployment insurance trust fund reserves and yielded staggering deficits in many states. As of March 31, 1984, 26 states had outstanding loans totalling $14.01 billion, exclusive of interest owed on a significant proportion of that debt. The shadow of this debt will follow some states through this decade, raising questions as to the fiscal capacity of the system to meet future demands.

State UI trust funds currently are benefiting from the economic recovery; because employment is increasing, employers are paying UI taxes on more employees and because unemployment is declining, fewer individuals are collecting unemployment compensation. So, too, is it important to realize that many states have taken extraordinary actions to tighten their benefit coverage and increase their tax efforts to improve the financial status of their UI programs. These reforms have been made with great sacrifice by employers and claimants and, to the extent that they further tax declining industries, at great risk by the states in terms of economic recovery and future economic growth. Evidence of improvement is reflected in the fact that as of the end of 1984, outstanding loans stood at $9.49 billion, due to repayments of $6.85 billion. Keep in mind, however, that unemployment typically lags behind other indicators of economic recovery and that any recovery masks significant regional differences in the employment picture. Many states and substate areas continue to experience historically unprecedented unemployment levels.

While the overall state trust fund picture is looking better and states are to be commended for working diligently to bring their systems into balance, there is nothing to preclude the so-called "UI crisis" from recurring. Unemployment compensation is an actuarial system premised on the concept that tax receipts will accumulate in good times in sufficient amounts to cover benefit outlays in bad times. The

three recessions of the past eight years came too close together for even this basic financing assumption of the UI system to play out appropriately. The Urban Institute research referenced earlier indicates that "for the next five years state UI programs will not have enough trust fund reserves to pass through a serious recession without needing additional federal loans to meet their benefit obligations. Thus, although trust funds are now growing as the economy continues to expand, the topic of UI loans and debts is almost certain to reemerge if there is another recession before the end of the present decade. To avoid a repetition of events from the early 1980s, it would seem that an improved basis for financing UI benefits should be found."

Reductions in benefit availability

As a result of federally-legislated and state-initiated actions to address system financing problems the availability of UI benefits has been noticeably restricted during recent years. The cutbacks have reduced eligibility for regular UI benefits, have resulted in lower weekly UI benefits, and have restricted the availability of benefits to the long-term unemployed.

The reduced availability of regular UI benefits is reflected in the insured-to-total unemployment percentage; this percentage has trended sharply downward since 1980. Even when total unemployment reached 9.7 percent in 1982, the highest rate since World War II, insured-to-total unemployment reached only 38 percent, and then it fell in 1983 and 1984 to low levels not ever previously experienced.

The growth in average weekly benefits has been limited in recent years. The replacement rate (weekly benefits as a percentage of weekly wages) fell from 37.5 percent in 1982 to 36.8 percent in 1983. This slow growth in weekly benefits during a period of high unemployment is unprecedented in the prior history of UI programs.

Perhaps the most important change in UI benefits during 1980–1984, is the reduced availability of benefits for the long-term unemployed. Because of the recent back-to-back recessions the extent of long-term employment, i.e., persons unemployed more than 26 weeks, has been unusually high both in absolute numbers and as a percent of total unemployment. In 1982 and 1983, long-term unemployment averaged 1.78 million and 2.56 million (or 16.6% and 23.9% of total unemployment respectively). Beginning in 1981 the scope of the Federal-State Extended Benefit program was reduced to the extent that it practically ceased to exist by 1984. At several points during this period of severe economic decline, only a handful of states, some with unemployment rates as high as 15 percent, qualified for the EB program. Exacerbating the problem was the fact that Congress was not able to establish a supplemental benefits program during the past recession until national unemployment reached 10 percent. Although the Federal Supplemental Compensation program was subsequently extended through March 1985, the maximum duration of these benefits has been noticeably shorter than the corresponding emergency program of the 1975–77 period (Federal Supplemental Benefits). Long-term benefits averaged only .11 percent and .21 percent of GNP in 1982 and 1983 compared to .30 percent of GNP in both 1975 and 1976.

The significant reduction in UI coverage reflects limitations in the regular program prompted by state solvency concerns, the virtual elimination of the Extended Benefits program, and restrictions on Federal Supplemental Compensation. It also results in increasing demands upon the needs tested income security programs which are of significant cost to state and local governments. These costs are shifted from the trust fund accounts to already hard pressed state and local general revenues.

It is important that the Congress fully understand the cumulative impact of these changes both on individuals and on the overall ability of the UI system to help retain consumer demand during recessionary periods. If there are significant gaps to be filled or it more careful targeting is needed this must be accomplished during a period of economic growth if the required resources are to be available when needed. If there is to be a greater reliance on needs tested programs Congress will need to carefully review both the structure of current programs and state capacity to provide additional matching resources during a period of recession.

EMERGING TRENDS AND UI SYSTEM PROSPECTS

As compelling as these current problems appear to be, they are made even more so by several emerging trends, specifically: Periods of recession appear to be more frequent and more severe, thereby increasing the demands upon the unemployment insurance system; and the nature of unemployment appears to be changing as we experience increased structural unemployment which is not easily addressed within a system designed to ease transition between reasonably available jobs.

The Governors' concerns about the fiscal capacity of the unemployment insurance system and its ability to endure subsequent periods of economic downturn while simultaneously providing needed assistance, are supported and heightened by recent research which reveals some disturbing trends in the unemployment picture. Such trends have serious implications for the unemployment insurance system and our nation's employment and training and income security policies. In an essay on labor market policy and structural adjustment, prepared for the Joint Economic Committee, Michael Podgursky of the University of Massachusetts notes that "each recession during the 1970s to the present has brought higher average rates of unemployment than the preceding recession" and that "each recovery has failed to fully absorb the rising pool of unemployment."

Furthermore, there is an emerging recognition that this nation is confronting significant shifts in its technology and economic base. These shifts portend many changes in the skill requirements needed by our workforce and it may be that significant numbers of workers will be displaced from their jobs. Such dislocation has potentially serious financial implications for our nation's unemployment insurance system. It seems reasonable, therefore, that our national employment security policy include a response to these changes.

The Job Training Partnership Act (JTPA) of 1982 must be applauded for its recognition of the problems of the dislocated worker and their need for retraining. In addition, this legislation recognized the critical link between this group of workers and the unemployment insurance system by tying the state match required for the program to UI benefits paid. It also mandated that Title III participants continue to be eligible for unemployment compensation while enrolled in a training program. This represents a good beginning. The Governors, however, feel obliged to take this opportunity to point out an implicit inconsistency in national policy as regards the linkage between our employment and training and unemployment insurance programs. On the one hand, under the JTPA Title III provision, states are given the message that the use of the UI benefit payment as income support during training is acceptable and, in fact, laudable. On the other hand, general state efforts to effect the integration of training and unemployment insurance is all but prohibited for fear of failing to meet the solvency efforts legislated under the Social Security Act Amendments of 1983. This same fear causes states to pursue rather cautiously, or simply forego, other labor market adjustment programs, such as the work sharing or training surtax programs in California. We believe that the issue of the linkage between training and unemployment insurance should and must be part of the continuing UI reform dialogue.

THOUGHTS ON UI REFORM

Taken together, the problems of existing unemployment insurance programs and the projected need for assistance to deal with future dislocations point, we believe, to a need to reexamine the structure and financing of benefits under the unemployment insurance system. As detailed in this statement, the Governors' primary concerns center around the inherent fiscal capacity of the unemployment insurance system to meet demands and the adequacy of coverage provided under the system.

The validity of the financing assumptions behind the system have been called into question in light of apparent economic trends and changes in the unemployment picture of the modern era. And, in view of these developments, the fiscal integrity of the unemployment insurance system will continue to be at risk. The focus on fiscal resources has dictated the structure of benefits with the result that coverage for the unemployed is at a historical low. In view of the virtual absence of the Extended Benefit Program and the pending expiration of the Federal Supplemental Compensation program, the social safety net for our long-term unemployed needs to be carefully reexamined. In the absence of a rational, permanent and simpler program of extended compensation, an extension of FSC now is justified. The historical pattern of temporary and expedient efforts to solve the serious problems of extended unemployment must come to an end.

An extension of the Federal Supplemental Compensation program should not, however, deter us from the larger task of more comprehensive reform. Such a reform package, however, cannot be hastily drawn. Instead, it must evolve from a conscientious dialogue between the federal and state partners with each given adequate time to address the full administrative and financial implications of any proposals. It must involve, too, our nation's best thinkers from the business, labor, and academic communities. Moreover, the partners of the UI reform discussion cannot be drawn too narrowly and must encompass the range of pertinent issues, some of which have been raised in this statement.

The National Governors' Association has consistently called for a national, bipartisan commission on unemployment insurance. Such a commission could remove this critical issue from partisan debate and provide a forum to review the impact of legislation already enacted and enhance our understanding of the issues that the unemployment insurance system will face over the next years and decades. It would also assist in developing a consensus needed to adopt some of the recommendations that have already been proposed and to develop new solutions where needed.

Our call for a commission has not yet been heeded. Of even greater concern is the fact that the UI reform dialogue is still too closely oriented toward limited aspects of the UI program and pressured by the politics and time constraints of the immediate legislative process. While we recognize the need for quick action on the FSC program the Governors continue to believe that some vehicle is necessary to structure the UI reform dialogue and to define the principles for UI reform.

This summer, our nation will celebrate the 50th Anniversary of its unemployment insurance system. It is a particularly opportune time to review the underlying principles of this system, to determine their applicability for the next 50 years. The timing is further enhanced by the fact that we are ot in the midst of an economic crisis.

The Governors thus view the agenda on unemployment insurance as unfinished. The reform efforts now underway must be encouraged but broadened to include other questions and issues such as:

What are the incentives for work built into the system?

What is the system's relationship to other income security programs?—Is there logic to our continuum?

Is it appropriate for this system to address structural unemployment?

Are current unemployment measures useful for determining needs for additional assistance?

Can the system be leveraged as another labor market adjustment tool to assist in getting our unemployed back to work?

What incentive exist for the maintenance of adequate reserves in the event of an economic downturn?

Should a means test be applied at some point during extended compensation?

What are the appropriate benefit financing responsibilities of the federal and state partners?

Should employees contribute to the system?

What are appropriate administrative financing arragements?

Can administration of the system be simplified?

Are the experiences of our Western European colleagues useful in our reform discussions?

CONCLUSIONS

The Governors urge the Congress to act promptly to extend the Federal Supplemental Compensation program beyond March 31, 1985. This social safety net for our long-term unemployed must be assured.

Our call for an FSC extension at this time should not, however, be interpreted as a lack of commitment for, or lack of interest in comprehensive reform of our unemployment insurance system. We remain deeply committed to this larger task.

The Governors will follow up on our recent Urban Institute research effort and continue to explore UI issues through state-level forums such as the NGA Employment and Training Subcommittee, the Interstate Conference of Employment Security Agencies and other vehicles, and in partnership with our colleagues in the private sector and academia. We will continue to work with the Administration to fully explore their proposal to devolve to the states administrative financing responsibilities for the employment security system. Finally, we remain committed to working with the Congress on UI reform issues.

We commend the Subcommittee for its continuing interest in reform of the unemployment insurance system. We would urge the Subcommittee to urge the Congress to provide a forum for examination of the broader issues raised in this statement—issues which can not be examined thoughtfully between now and the end of March when the FSC program expires. The Governors are prepared to participate actively in such a forum and to contribute toward the development of its agenda.

Thank you for providing this opportunity to present our views. We trust that the UI reform dialogue will continue to be defined and refined over the coming months.

STATEMENT OF HON. JAMES A. TRAFICANT, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Chairman and Members of the Committee, I want to thank you for the opportunity to present this statement before the Subcommittee. As a newly elected Member of Congress from the 17th Congressional District of Ohio, I am very much concerned with our present unemployment compensation system and what changes are being proposed. I believe it is very important that we address the present problems with the unemployment compensation system so that specific sections of our country which have not benefitted from any type of economic recovery, are able to provide additional help to individuals who have experienced long-term unemployment, and have exhausted all of their unemployment benefits.

Throughout my district, individuals who once worked for steel companies or other support facilities, struggle to survive because little or no unemployment relief remains. While strong efforts are being made to bring new industry and business to this area, financial assistance is needed now. Our present unemployment compensation system does not adequately address these specific pockets of severe unemployment within a state or region, and provide the necessary relief in these areas.

I have recently cosponsored Representative's Conte's bill, The Unemployment Compensation Reform Act, which I believe resolves many of the current inadequacies of the unemployment compensation system. There are two sections of this legislation which are particularly significant.

First of all, this legislation would change the trigger formula for Extended Benefits eligibility. I believe this change would help such states as Ohio by representing a more accurate assessment of the state's unemployment situation. The present formula does not reflect accurately the number of unemployed workers as more and more exhaust their benefits and are removed from the overall rate formula.

Secondly, this proposal would allow counties within a state to be eligible for Extended Benefits, regardless of whether the state has qualified. An individual would receive Extended Benefits if the county in which he last worked exceeds the new Extended Benefits base average unemployment rate. In the State of Ohio, where the overall unemployment rate is nine percent, counties in my district are as high as 20 percent with the overall rate at 12.1 percent. This change in the existing law would address those pockets of high unemployment.

I believe it is the responsibility of Congress to see that people who are unable to find jobs in severe economically depressed areas, get relief in the way of unemployment assistance. The people of my district want the opportunity to work and contribute to the economic growth of this nation. However, until new industry and business can be brought to our area to replace the closed down steel mills, these people need our help.

I thank the Chairman again for the opportunity to present this statement. I look forward to working with the members of the Committee and my fellow colleagues in the House as we try to resolve the unemployment compensation issue.

○